

# ASTON MARTIN LAGONDA

2020 ANNUAL REPORT



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**ASTON MARTIN\***  
IS ONE OF THE WORLD'S  
MOST ICONIC LUXURY  
COMPANIES FOCUSED ON  
THE DESIGN, ENGINEERING  
AND MANUFACTURE  
OF HIGH LUXURY CARS

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\* Aston Martin Lagonda Global Holdings plc. References to "Company", "Group", "we", "us", "our", "Aston Martin" and other similar terms are to Aston Martin Lagonda Global Holdings plc and its direct and indirect subsidiaries.

# HIGHLIGHTS

1

AGGRESSIVE DE-STOCK  
OF DEALER INVENTORY

DEALER GT/SPORTS  
INVENTORY MORE THAN  
HALVED, EXPECTED  
TO BE LARGELY  
COMPLETE IN Q1 2021

GT/SPORT ORDER  
INTAKE AHEAD OF  
EXPECTATIONS

3

NEW LEADERSHIP IN  
PLACE TO DRIVE  
TURNAROUND AND  
GROWTH

EXECUTIVE TEAM  
COMBINING LUXURY  
AND AUTOMOTIVE  
EXPERIENCE

OPERATIONAL TEAM  
STRENGTHENED WITH  
EXTERNAL  
APPOINTMENTS

PROJECT HORIZON  
LAUNCHED

4

TRANSFORMATIVE  
TECHNOLOGY  
AGREEMENT WITH  
MERCEDES-BENZ AG

ACCESS TO WORLD –  
CLASS TECHNOLOGIES:  
POWERTRAIN AND  
ELECTRIC/ELECTRONIC  
ARCHITECTURE

REMOTES COST AND  
RISKS OF DEVELOPMENT  
MERCEDES-BENZ AG TO  
BECOME 20%  
SHAREHOLDER

2

SUCCESSFUL LAUNCH  
OF DBX

1,516 UNITS SHIPPED;  
STRONG AND BUILDING  
ORDER BOOK

FIRST DERIVATIVE TO  
LAUNCH Q3 2021

5

REFINANCING  
STRENGTHENS  
FINANCIAL RESILIENCE  
AND SUPPORTS  
GROWTH AMBITIONS

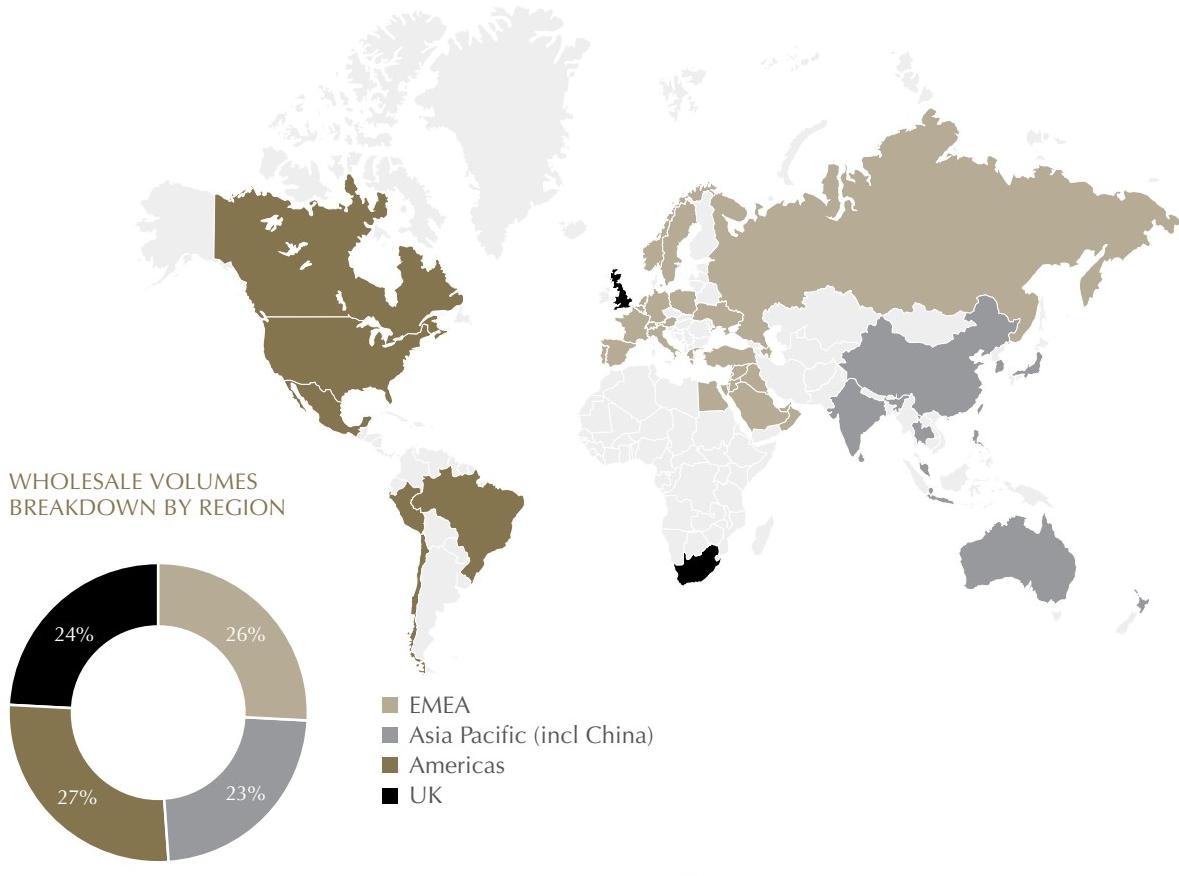
YEAR-END CASH  
OF £489M

NET DEBT  
SIGNIFICANTLY  
REDUCED TO £727M

DEBT MATURITY  
EXTENDED TO 2025/26



# OUR GLOBAL FOOTPRINT<sup>1</sup>



## ASIA PACIFIC

NUMBER OF DEALERS: 50 (2019: 45)

WHOLESALE VOLUMES<sup>2</sup>: 787

DECREASE ON 2019: 40%

- 7 new dealer appointments throughout 2020, Sendai in Japan, Phnom Penh in Cambodia and Kunming, Foshan, Shanghai, Shenzhen and Xi'an in China.
- Rationalisation of the network in India and China, to improve dealer profitability and viability.
- Ongoing development of the network planned for 2021, including the relocation and redevelopment of existing facilities and rationalisation of a number of locations.



## EMEA<sup>3</sup>

NUMBER OF DEALERS: 52 (2019: 56)

WHOLESALE VOLUMES<sup>2</sup>: 865

DECREASE ON 2019: 20%

- New dealer appointment in Casablanca, Morocco.
- Network rationalisation took place in Europe in 2020 to improve dealer performance and viability.
- A number of new dealer appointments are planned throughout Europe in 2021, including the introduction of new groups into the franchise.



## DEALER NETWORK FOCUS

- We operate a franchise model for our dealerships which enables us to maintain strong control over brand positioning while limiting capital investment.
- Dealer network to deliver world-class luxury customer experience and consistent brand presentation.
- Maximise market potential in line with plan.
- 167 dealers across 54 countries (2019: 168 dealers in 54 countries). Expected to grow leveraging DBX market opportunities.
- Focus on growth markets, DBX new segmentation opportunities and driving sports car volumes.
- Work continued during the year to significantly strengthen and upgrade the dealer network.
- Further actions planned for 2021 to improve dealer profitability and viability.

1. Global footprint represents dealer summary as at 31 December 2020
2. Wholesale volumes include core and special models
3. EMEA includes Europe, Middle East and Africa (excluding the UK and South Africa)
4. UK includes South Africa

## UK<sup>4</sup>

NUMBER OF DEALERS: 22 (2019: 22)

WHOLESALE VOLUMES<sup>2</sup>: 820

DECREASE ON 2019: 43%



## DEALER READINESS FOR NEW STRATEGIC PLAN

Dealer operations have been impacted by COVID-19, causing disruption and dealer closures at times during the year. Various actions were taken to provide appropriate support for dealers and customers, including guidelines for sales and servicing to prioritise customer and team safety. These actions reflected the regional risk and government requirements, and constantly evolving impacts.

The dealer network continues to operate in line with relevant government restrictions in relation to COVID-19 and to adjust to the impact on market conditions and customer behaviours. These conditions have accelerated change towards increased digitisation and a growth in online engagement. Future retail strategy is being developed to reflect an evolved customer-first luxury experience accommodating both online and in-person engagement preferences.

Aggressive and successful de-stocking actions have been undertaken within the dealer network to rebalance supply and demand and to ensure alignment to the new business plan. This will be a continued focus through 2021 to achieve ideal pipeline cover. Planned launch in 2021 of new dealer performance management processes to improve performance and recognise excellence.

## AMERICAS

NUMBER OF DEALERS: 43 (2019: 45)

WHOLESALE VOLUMES<sup>2</sup>: 923

DECREASE ON 2019: 55%

- Change of dealer partner in Edinburgh.
- No planned changes to the UK dealer footprint in 2021.
- Ongoing development of the network is planned, in alignment with regional strategy to enhance the customer experience and optimise dealer profitability and viability.



# EXECUTIVE CHAIRMAN'S STATEMENT



LAWRENCE STROLL



DEAR SHAREHOLDER,

I WRITE TO YOU AFTER WHAT HAS BEEN AN EXTRAORDINARY YEAR, BOTH GLOBALLY AND FOR ASTON MARTIN. DESPITE THESE CHALLENGES, WE HAVE MADE SIGNIFICANT PROGRESS EXECUTING ON OUR PLAN.

## WE HAVE MADE NECESSARY AND EXTENSIVE CHANGES TO OUR COMPANY

I was appointed Executive Chairman at the end of April 2020, during a period of unprecedented global turmoil, and knew that significant challenges lay ahead. However, in the short amount of time since, we have made tremendous progress in positioning the Company for long-term success. While the world has grappled with the tragic impacts of the COVID-19 pandemic, I have been overwhelmed and give a heartfelt thanks to all of our employees and other colleagues who have risen to the occasion.

We, as a company, have not shied away from the hard work required and have made huge progress this year. We have appointed a world-class leadership team with deep experience of this industry. We have aggressively and successfully de-stocked the dealer network to rebalance supply to demand. We have strengthened the financial resilience of the business and have taken decisive action on costs. We have also launched, very successfully, the DBX and the Aston Martin Cognizant F1™ branded team takes to the track in 2021.

## APPOINTING A WORLD-CLASS LEADERSHIP TEAM

We have made a number of appointments to build an industry-leading and world-class leadership team. Tobias Moers, formerly the CEO and acting Chief Technical Officer at Mercedes-AMG, joined as CEO in August 2020 and our new CFO, Kenneth Gregor, joined in June 2020. Kenneth was previously CFO of Jaguar Land Rover for 11 years. Together, with Marek Reichman our long-standing award winning Chief Creative Officer, they have already made great strides in leading Aston Martin's transformation.

As announced in January 2021 we have also strengthened the membership of the Board with the appointment of new non-executive directors, Anne Stevens, Robin Freestone, Richard Parry-Jones, Antony Sheriff and Stephan Unger, who have strong automotive and luxury backgrounds to support the Company in its future ambitions as well as to progress our aims relating to compliance with the UK Corporate Governance Code and diversity. Peter Espenhahn, Lord Matthew Carrington, William Tame and Amr AbouelSeoud have decided to step down and I would like to thank them for their significant contributions and support to the Board.

## POSITIONING THE BUSINESS FOR GROWTH

We made substantial progress during the year towards making Aston Martin operate as a true luxury automaker, most notably in rebalancing supply to demand for front engine sports cars. The dealer network has been aggressively de-stocked, with a reduction of over 1,500 GT and sports car units from dealer stock during the year. This de-stocking is expected to be largely complete by the end of Q1 2021 as we approach our targeted stock levels, ahead of our original expectations. I have been most impressed by this achievement in a year when many of our dealers have been operationally challenged by COVID-19 which prompted closures for long periods of time. While the lower wholesale volumes required to achieve this have had an impact on our profitability, it is absolutely critical to re-establishing the exclusivity of our brand. For 2021 as we start to reach appropriate stock levels for front engine sports cars, we expect a return to a demand-led model and have been positively surprised by the strength of demand with a building order book ahead of our original expectations.

The DBX, our first SUV and a key pillar for our future growth, was successfully launched. With production re-commencing in May 2020 following a COVID-19 related hiatus, first deliveries were made in July 2020. The DBX order book is robust, in-line with our expectations and we are confident in the prospects for the SUV segment. The DBX's bespoke platform gives us many opportunities to expand our SUV range with the first variant planned for launch in Q3 2021.

We are taking decisive action on costs, which is expected to impact up to 500 employees who will leave the business, as we start to right-size the organisation for production volumes aligned to our plans. This restructuring is on track to deliver annualised savings of approximately £28m. We will continue to seek further efficiencies through Project Horizon.

### SECURING THE BALANCE SHEET

Vitally, the financial resilience of the business was strengthened by capital raises during the year and I am grateful for the support from shareholders who invested further in the Company, alongside me and my co-investors in the Yew Tree Consortium, our bondholders and core relationship banks. I was also delighted to attract new investors and banking partners to the Aston Martin story. With the monies raised, we were able to commit to a new plan that will deliver the exciting future that all shareholders want and expect from this great Company.

### DEVELOPING A NEW BUSINESS PLAN

This year has been one of enormous effort to position our Company for future success and to capture the huge opportunity ahead of us, as we build our Company into a world-class luxury automaker and focus on maximising shareholder value creation.

In October we announced our landmark Strategic Cooperation Agreement with Mercedes-Benz AG, taking our longstanding partnership to another level. Through this expanded agreement, we secured access to the world-class technologies that are critical to supporting our long-term product expansion plans, including electric and hybrid powertrains. This partnership underpins our confidence in the future – a truly exciting moment for Aston Martin.

We have developed a new business plan targeting revenue of c.£2bn and c.£500m of adjusted EBITDA by 2024/25. The plan incorporates our Strategic Cooperation Agreement and the delivery of new, compelling vehicles to achieve these growth ambitions. By 2024/25, our plan is to produce about 10,000 units a year, incorporating a refresh of the front-engine sports car range in 2023, an expansion of the SUV offering, launch of the mid-engine range and an

exciting programme of Specials. During this period, we also plan to launch our first hybrid vehicles, underscoring our commitment to sustainability and lowering our carbon footprint, which will be a transformational moment for the Company. These vehicles will be powered by fully customisable and cutting-edge technology developed by Mercedes-Benz AG and are fundamental to ensuring Aston Martin's future success.

We recognise the importance of having a cadence of new and refreshed models, incorporating updated technology through the Strategic Cooperation Agreement, driving exclusivity and maintaining dealer profitability, supported by the marketing reach of the Aston Martin Cognizant F1™ branded team from 2021. The Company is looking forward to delivering the Aston Martin Valkyrie hypercar from the second half of 2021 which serves as ambassador for our mid-engine programme.

Improving profitability is key and this starts with our enhanced product offering and disciplined production to order model, generating a gross margin more aligned to the luxury automotive segment. This will be supplemented with enhanced operational focus on cost and controlled investment, building on the actions already taken in 2020, and with greater discipline on cash flow. Our strategy is to optimise the Company's organisational structure to deliver operational excellence in line with the updated product and business plan.

### TO MAKE ASTON MARTIN A GREAT LUXURY CAR COMPANY

This has been a game-changing year and I am extremely proud of the enormous progress the team has made to date. We are ahead of plan on reducing dealer inventory, despite operating in these most challenging of times, and now have the right team, partner, plan and funding in place to transform the Company into one of the greatest luxury car brands in the world.

As I write, many parts of the world remain significantly impacted by the COVID-19 pandemic, but we look forward to the year ahead with great optimism. On behalf of the Board, I would like to thank all our shareholders, employees, customers and business colleagues for your continued support of Aston Martin.

Yours sincerely,

**LAWRENCE STROLL**  
EXECUTIVE CHAIRMAN

24 FEBRUARY 2021

# CHIEF EXECUTIVE OFFICER'S STATEMENT



TOBIAS MOERS

▼

OUR CEO, TOBIAS MOERS, ADDRESSES SOME OF THE KEY QUESTIONS OUR STAKEHOLDERS HAVE BEEN ASKING US DURING THE YEAR

**Q. HOW DID THE COMPANY PERFORM IN 2020?**

Firstly, I would like to thank all of our employees for their hard work and dedication during what has been an incredibly challenging period. The health and safety of our team and partners remains our absolute priority, as we continue to work within a COVID-19 safe environment across our operations. I would also like to thank Lawrence Stroll, whose vision has enabled us to accomplish the significant steps taken during the year to give us a strong foundation for the future. I am very excited to be part of this journey.

2020 was a challenging year in terms of business performance with the impact of COVID-19 and our own actions to reset and provide a platform for future growth. Revenue was down 38% to £612m and adjusted EBITDA £(71)m. As we continued to invest in our future products we remained free cashflow negative. We have however made significant progress to enable future success.

We successfully launched the DBX and demand is strong. We have wholesaled 1,516 units with all dealers now having their demonstrator and floor plan models. We have also made significant progress de-stocking our dealer

network to restore the supply/demand dynamic as we transition to a build-to-order model, and expect to have reached our targeted stock levels by the end of Q1 2021, ahead of our original expectations. As we start to reach appropriate stock levels, we are encouraged by the strength of demand we are seeing for sports/GT cars with a building order book. Specials are integral to our plan with the era defining Aston Martin Valkyrie a priority and on track for deliveries to start in H2.

The Company had been preparing carefully for the Brexit transition with a particular focus on supply chain. While both our main manufacturing facilities are in the UK we import a number of parts from Europe and globally. Given the actions taken such as securing alternative ports for access rather than Dover, we have to date not experienced any disruption to manufacturing.

**Q. YOU WERE ENJOYING GREAT SUCCESS AS CEO OF MERCEDES-AMG, WHY DID YOU DECIDE TO LEAVE AND JOIN ASTON MARTIN?**

I have always had a passion for performance cars and was fascinated by Aston Martin's unique brand position of representing both the luxury and performance side of automotive. No one else has this unique combination and so I think the possibilities for the brand are unlimited. I got to know the technical side of the Company at the beginning of the partnership between Aston Martin and Mercedes-Benz AG and so following Lawrence Stroll's appointment as Executive Chairman, and the substantial investment to strengthen the balance sheet, I saw there was a significant opportunity and relished the chance to harness the strengths of the brand to deliver successfully the planned product expansion.

Another key reason for my decision to join the Company is the DBX. The SUV is the largest growing segment in the luxury space, and the DBX offers the best combination of luxury and driving dynamics in the segment. Built on its own flexible platform, there will be many opportunities to expand our SUV range that simply aren't offered by the competition. This presents a great opportunity to support our growth ambitions and medium-term plan.

**Q. WHAT ARE YOUR INITIAL IMPRESSIONS OF ASTON MARTIN?**

I am incredibly impressed by the great work that has been delivered by the whole team here. 2020 was a pivotal year for the Company and presented many headwinds, particularly the COVID-19 pandemic, but the Company has been resilient. We started delivering the DBX in late July, despite having to close our St Athan manufacturing facility earlier in the year.

Before entering the business, I wasn't fully aware of the Company's unique and industry leading "body in white" design and manufacturing capability. I have been in the industry for quite some time and I am truly impressed by

Aston Martin's innovative and class leading capabilities to create this strong platform which will be the genesis for our product portfolio and future growth strategy. I believe that this is a point of strength for the Company and, along with the customisable and world-leading technology we will receive from Mercedes-Benz AG, differentiates the business as we move forward.

**Q. SINCE ARRIVING LAST AUGUST, WHAT HAVE BEEN YOUR PRIORITIES FOR THE COMPANY?**

One of my first priorities has been the successful delivery of the DBX. I slowed the planned ramp-up of the St Athan facility in August which resulted in a successful quality-led ramp-up, as is appropriate for our luxury product positioning. The full run-rate was reached by the end of September, enabling us to meet our targets for 2020 production and with a strong and building order book in line with our expectations.

Another immediate priority was to carry out a review of the business to ensure that we can deliver on our strategic plans. I launched "Project Horizon" which is a comprehensive programme to revitalise the product offer and improve efficiency, to enable us to become more agile, reduce costs and improve our profitability in line with our plans – with the ultimate aim of being the most efficient and agile in the luxury segment. As part of this we are currently evaluating our manufacturing footprint and how to best utilise the capacity we have at our manufacturing plants at Gaydon and St Athan to drive efficiency. We are also looking at opportunities for operational efficiencies in engineering and other areas of the business. It is essential that our leadership has the right automotive and luxury experience, that our decision-making processes are streamlined with fewer layers of management and that we have a right-sized organisation. For example, we are restructuring the engineering teams to ensure we optimise efficiency through increased accountability and span of control, and plan to adopt a common approach across the business. This will ensure that we maintain a small but efficient engineering team with a high level of capability and a collaborative environment to deliver the vehicles within our cycle plan. Prior to my arrival there was already a plan in place to reduce headcount by up to 500 permanent employees and the team has made good progress. The overall aim is to achieve the best and most efficient outcome for the product, the business and, most importantly, our customers.

Another priority has been our dealers and customers. Our dealer network is extremely important – as they represent Aston Martin to our customers – so I have been focusing on strengthening our relationship with our dealers. We are currently underserviced in key geographies such as Germany and Switzerland, both of which are large GT/sports markets, and so we have been speaking with large franchisees in both locations to expand our dealer footprint. There are a few other geographies where we are looking to

expand or move, but overall, the network is in a good position. I have been pleasantly surprised by the dedication of our dealers who are confident about the future of the brand, are very positive about our strategic shift to build-to-order and have been very receptive to the DBX launch.

Our customers and clients are also an important focus and so I am reviewing the whole customer journey from sales and marketing to after-sales activities. A particular focus is on our digital tools and so we are working to improve our configurator tool which enables our customers to choose their perfect Aston Martin, including the introduction of "real time" digital sessions. We will also be bringing in some additional functional expertise to strengthen this area and I look forward to being able to update you on this shortly.

We now have a strong executive leadership team to support our efforts. During the summer Kenneth Gregor joined us as our Chief Financial Officer. Kenneth has over 20 years of automotive experience, most recently as Chief Financial Officer at Jaguar Land Rover. I have also appointed Michael Straughan as Chief Operating Officer. Michael has more than 30 years' automotive and luxury experience from his time at Bentley, Nissan, Volvo, Jaguar Land Rover and most recently luxury yacht manufacturer Sunseeker International. Completing the executive leadership team are Marek Reichman, our award-winning Chief Creative Officer, and Michael Marecki, our long-standing General Counsel.

Our actions to refinance the business completed in early December. The new capital structure has further strengthened our balance sheet by extending our debt maturities until 2025/26 and has provided the additional financing needed to enable the Company to focus on executing on our medium-term plan to become a world-class luxury automotive brand. As part of the refinancing in the autumn, we entered into a Strategic Cooperation Agreement with Mercedes-Benz AG through which we secured access to their world-class technologies that are critical to supporting our long-term product expansion plans, including electric and hybrid powertrains.

Lastly, and by no means least, an important priority for me has been to engage and re-energise the team. The challenges that have been faced by the business over the past couple of years have been significant. There has been a lot of change as well as the ongoing challenges of operating through COVID-19. I have held regular "all hands" meetings, brought in new talent to bolster areas where there is need for support and I am ensuring that the whole team is clear on what is required for us to achieve our exciting plans to transform this business, including an "open door" policy to discuss any questions or concerns.

**Q. WHAT WOULD YOU SAY THE KEY CHALLENGES AND OPPORTUNITIES ARE FOR ASTON MARTIN AND THE SECTOR?**

The biggest challenge for Aston Martin and the industry in the short term is the impact of COVID-19 on the economy and consumer demand, and the uncertainty surrounding the duration and the unpredictable nature of when "normal" will return. Mid to longer term are the changes in technology and the growth of electrification – which present opportunities for us as a brand.

As a Company, however, we must concentrate on what we can control. In 2020, as mentioned we have taken several steps to position the Company for success in the future. We have significantly de-stocked the dealer network, strengthened the financial resilience of the Company and have taken decisive action on costs, all while also successfully delivering the DBX. Our expanded partnership with Mercedes-Benz AG is a critical step towards achieving our hybrid and EV plan, while avoiding the high investment in powertrain and electrical architecture, thereby de-risking the business plan. With our Project Horizon programme and the actions we are taking, we have the opportunity to be one of the most agile companies in the luxury automotive space.

**Q. THE NEW STRATEGIC PLAN HAS AMBITIOUS TARGETS FOR CAR SALES. WHY WILL THIS PLAN BE SUCCESSFUL?**

Our product portfolio is expanding to service the entire luxury space – something none of our competitors currently offer – and, through our new Strategic Cooperation Agreement with Mercedes-Benz AG, we can focus our development on the areas that truly differentiate our products to drive demand. We have three pillars to our core business: front-engine (GT/sports), SUV and mid-engine. All of these segments will drive growth, in particular the SUV, and help the Company reach the c.10,000-unit per year medium-term target. In addition, Special editions will continue to form an important part of our plans.

In 2023, the front-engine range will undergo a substantial refresh, incorporating all new Mercedes-Benz technology, and allow us to return to historical front-engine sales of 3,500 to 4,000 units per annum.

The SUV segment provides the largest opportunity. The DBX's bespoke platform gives us many opportunities to expand our SUV range with the first variant planned for launch in Q3 2021.

The mid-engine segment, the highest margin core vehicle, starts with the era defining Aston Martin Valkyrie Special. This has been a large undertaking, but the result will be excellent – it is an F1™ car on the road, truly the pinnacle of auto engineering and years of hard work. With a great team working on the Valkyrie project, we are confident deliveries will commence in early H2 2021. Descending from the Valkyrie, the Valhalla and subsequently Vanquish, our core

mid-engine vehicle, will position Aston Martin firmly in this segment and will complete our range of highly engineered and beautiful sports cars.

We plan to enhance our core range by the addition of two to three Special edition models to showcase our technical excellence and perpetuate our brand uniqueness. Specials demand high price points for the enhanced features they offer, are typically fully allocated prior to any significant capital commitment, and generate higher margins than the core range. Specials are expected to be significantly weighted to H2 2021 and particularly Q4.

**Q. HOW WILL THE COMPANY BENEFIT FROM THE F1™ TEAM?**

The benefit of having the Aston Martin name associated with Grand Prix racing with the Aston Martin Cognizant F1™ branded team from January 2021 is significant, as it underpins the move into the more profitable segment of mid-engine cars and the marketing of the whole brand. The sponsorship agreement, with commercial terms commensurate with the Company's prior F1™ expenditure, is expected to help reignite the brand and further increase desirability.

**Q. WHAT SHOULD WE EXPECT FOR 2021?**

2021 will be an exciting year for the business. With a strengthened balance sheet, the dealer de-stock near complete and a strong technology partner, we can begin to execute on our medium-term plan.

We will have the first full year of the DBX, for which we have a robust order book in line with our expectations; the return to a demand led model for front engine sports cars where we have been positively surprised by the strength of demand with a building order book ahead of where we expected to be; and continued discipline around controlling investment and delivering efficiencies through the Project Horizon programme where I expect to see results from Q3 2021. 2021 will also benefit from the delivery of high value Specials such as the Aston Martin Valkyrie from H2 2021.

**Q. DOES THE BUSINESS HAVE SUFFICIENT LIQUIDITY AND FINANCIAL RESOURCES?**

Yes, the support of our shareholders has been imperative to the future success of the Company. We have raised gross proceeds of £813m in equity which, in addition to the extension of our debt maturity profile, has significantly strengthened the financial resilience of the business and supports the execution of this transformational plan to become a world-class luxury automotive company. We will, as you would expect, continue to review opportunities to build on this strengthened position.

**Q. WHAT PLANS DO YOU HAVE TO REDUCE THE COMPANY'S IMPACT ON THE ENVIRONMENT?**

Sustainability is an increasingly important issue for the business, especially when evaluating recent UK Government regulations on ICE vehicles post 2030, as well as being important to our investors and other stakeholders. We are taking steps to integrate an environmentally sustainable culture and practices across the business, and we plan to reduce carbon emissions and energy usage.

We understand that having hybrid and electric options for our vehicles is imperative to the Company's future in this industry and our partnership with Mercedes-Benz AG is fundamental to our hybrid and EV plan. Our ambition is that by 2025 every one of our cars will have an electrified powertrain (hybrid) or be pure electric driven. Our ultimate goal is that by 2030, 50% of our cars will be battery electric vehicles, 45% performance oriented electrified power and 5% carbon for track-only use.

**Q. WHAT IS YOUR MESSAGE TO ASTON MARTIN SHAREHOLDERS?**

2020 has been a transformational year for the Company and, although difficult, we have established a strong foundation for the future. We have identified several cost efficiencies across the whole Company, from which we expect to see results during 2021. We have de-stocked the dealer network, while securing the appropriate financing

and partnership to execute on our growth ambitions and medium-term targets. We have a clear plan of execution across all areas of the business to establish operational efficiencies, product development and growth. The most successful companies in our industry, and the ones best positioned for the future, are agile. I believe that with the actions we are taking Aston Martin can be one of the most agile companies in the luxury automotive space.

This is a significant moment for Aston Martin. As we celebrate our 108th anniversary we look ahead to when all of our work comes together to create an exciting future for the Company and all of us who are part of the brand.

**TOBIAS MOERS**  
CHIEF EXECUTIVE OFFICER

24 FEBRUARY 2021



# CRAFTING FUTURE VALUE

## WHAT WE PUT IN

### BRAND AND HERITAGE

Iconic luxury British sports car brand with over 100 years of heritage, known for its excellence in design, engineering and expertise in the high luxury car market.

### PEOPLE, SKILLS AND INNOVATION

Strong design and engineering expertise. Highly skilled and flexible manufacturing workforce. In-house academy dedicated to training and up-skilling our manufacturing technicians. Global online learning and development platform for all employees.

### EXTENSIVE DEALER NETWORK

Dealership network of 167 dealers across 54 countries at the year-end, delivering a world-class luxury customer experience and consistent brand presentation.

### INNOVATIVE PARTNERSHIPS

Carefully chosen partnerships, such as the Strategic Cooperation Agreement with Mercedes-Benz AG, provide a source of technical expertise, brand strengthening, customer engagement and future growth.

### WORLD-CLASS SUPPLY BASE

High quality strategic suppliers identified and sourced across multiple platforms.

### ACTIONS TO TURN AROUND PERFORMANCE, STABILISE AND DE-RISK THE BUSINESS

The new business plan to turn around performance, restore price positioning and deliver a more efficient operational footprint. Significant steps to strengthen leadership, strategic partnerships and capital structure.

### 1. CUSTOMER-FOCUSED PRODUCTS

- Three-pillar product strategy: front engine (GT/Sports), SUVs and mid-engine, to address wide spectrum of luxury car market
- Special editions to enhance brand exclusivity and profitability
- Build-to-order strategy to balance supply and demand, strengthen order book, pricing power and margins

### 5. BRAND AND CUSTOMER ENGAGEMENT

- Reinvigorating brand building through customer engagement and luxury experiences and Aston Martin Cognizant F1™ branded team during 2021
- Selective, brand accretive partnerships
- Ongoing customer relationship management and targeted and responsive after-sales service

### 4. MARKETING AND DISTRIBUTION

- Global dealership network focused on key growth markets and improving strength of dealer network
- Dealerships and regional sales teams delivering world-class customer service and experiences
- Strategic marketing including Aston Martin Cognizant F1™ branded team, product launches, key motoring events, product placement and client events



## 2. DESIGN AND ENGINEERING

- Stunning design and craftsmanship
- Close collaboration between design and engineering teams to combine the best of both beauty and performance
- Modular architecture approach links design and engineering to provide “lean” consistency and efficiency
- Quality processes focus on “right first time” lean engineering
- High level of in-house expertise along with key partnerships to enhance technological capabilities, and modular-based engineering and “carry over-carry across” principle for cost savings and model synergies

## 3. MANUFACTURING

- Manufacturing operations based on principles of quality, craftsmanship and efficient teamwork
- Controlling production to rebalance demand and supply to build a stronger order book and regain price positioning
- Manufacturing methodology allows efficient and effective build of numerous vehicle derivatives
- Strategic approach to procurement
- Strategic footprint between both manufacturing facilities

## THE VALUE WE CREATE

### CUSTOMERS

Customers experience an emotional connection with the brand as product design, performance and quality ensure a high-class and unique experience. This has enabled us to build a strong and loyal customer base.

### WORKFORCE

Responding to the COVID-19 pandemic, including the health and safety of our people, has been our priority. Launch of organisational restructure programme in line with strategy. “I AM Aston Martin” programme to develop people strategy and culture to ensure the Company is a great place to work. Workforce engagement focused on the challenging year for the Company.

### INVESTORS

Significant steps to de-risk the business and position the Company for long-term, profitable growth for our investors.

### SUSTAINABILITY/COMMUNITY

Our commitment to responsible and sustainable economic growth, and to doing business in an ethical and transparent manner. Initiatives to support the community during COVID-19 (see the Responsibility section on page 27).

### OTHER STAKEHOLDERS

Further information on our stakeholders is set out in the People section on page 22.

# ASTON MARTIN AND THE LUXURY MARKET

## ASTON MARTIN

Aston Martin is a globally recognised luxury brand and a leader in the high luxury sports ("HLS") car market. For more than a century, the brand has symbolised exclusivity, elegance, power, beauty, sophistication, innovation, performance and an exceptional standard of styling and design. Our cars sit primarily within the HLS car market and our market leadership position is supported by award-winning design and engineering capabilities, world-class technology and modern facilities, creating distinctive model line-ups. Our rich and prestigious heritage of delivering beautiful awe-inspiring cars defines Aston Martin as something truly unique within the automotive industry.

The Company sells cars worldwide from our manufacturing facility and corporate headquarters in Gaydon, England, and our manufacturing facility in St Athan, Wales. The Company's product focus is on three key pillars: front-engine, SUV and mid-engine with an initial focus on front-engine and SUV models comprising:

- the DB11 grand tourer;
- the Vantage front-engine sports car;
- the DBS Superleggera super grand tourer; and
- the high luxury DBX SUV – with first deliveries in July 2020;

as well as derivative models of each of the above.

The third pillar, the mid-engine, takes its lead from the era-defining Aston Martin Valkyrie Special hypercar, with first deliveries planned for H2 2021, and the Aston Martin Valkyrie AMR Pro which together establish our mid-engine platform. Future plans for our mid-engine platform include the Valhalla hypercar and the core model supercar, Vanquish.

Specials form an important part of our business plan, providing a halo for our core cars and driving exclusivity and desirability due to their limited volume, world-class design and technical excellence. Special models are usually highly subscribed prior to any significant capital commitment by the Company and generally achieve a higher margin than the core model range. A customer deposit for each car is required on allocation and typically allows Specials to be cash flow positive from design to the end of the product life-cycle.

Further information on our business model is set out on page 10.

## THE HIGH LUXURY SPORTS CAR MARKET

Aston Martin operates primarily within the HLS car market where it is positioned along with other key players such as Bentley, Ferrari, Lamborghini, McLaren and Rolls-Royce, while Vantage has some competitors within the luxury and performance premium market. HLS car market manufacturers typically employ a low-volume production strategy to maintain a reputation of exclusivity and scarcity among customers. This low-volume strategy, combined with the quality and performance of the cars produced, typically allows manufacturers to charge high average selling prices. Customer demand is enhanced through new product offerings, which tend to drive sales volumes even in difficult market conditions. Demand is maintained through the lifecycle of the product by introducing new derivatives, performance and quality upgrades and new personalisation options.

The market can be broken down by price range and the degree of sporting characteristics of specific car models such as hypercars, supercars, sports cars, grand tourer cars, super grand tourer cars, SUVs and sedans. Hypercars and special editions are the top models within the HLS car market. These products are produced in very limited volumes, are priced at significant premiums and can appreciate in value quickly following their initial sale. These models also enable the introduction of new technologies which can then be applied to the broader product range.

The historic growth in the HLS car market has been driven mainly by high net worth individuals ("HNWIs"), the key customer in the market, as the size and spending capacity of this key client base has grown significantly in recent years. The global HNWI population has grown by a Compound Annual Growth Rate ("CAGR") of approximately 7% between 2011 and 2019 to approximately 19.5m individuals globally in 2019 (World Wealth Report 2020 from Capgemini). HNWI wealth has also grown at a CAGR of 7% from 2012 to 2019 (World Wealth Report 2020 from Capgemini). Prior to the uncertainties of COVID-19, HNWI wealth was expected to continue to grow by an estimated CAGR of approximately 5% over 2019 to 2024 (Knight Frank 2020 Wealth Report).

The global impacts of COVID-19 have been significant and are ongoing and so the future impacts for the Company and the HLS car market as a whole are currently uncertain.

However, based on past trends we believe that the Company is well-positioned with dealers in attractive key markets and the right products to take advantage of these positive trends if they continue, and to further establish the Aston Martin brand. We are one of the few luxury automotive manufacturers developing a full core model product portfolio aimed at addressing a wide spectrum of the high luxury car market. This will enable us to appeal to a more diverse range of HNWIs than our competitors (including younger and female HNWIs) and to access the important luxury SUV and mid-engine markets.

With effect from the 2021 season under an agreement with Racing Point, the Racing Point F1™ team has become the Aston Martin Cognizant F1™ branded team, bringing an Aston Martin team back to the F1™ grid for the first time since 1960. The Aston Martin Cognizant F1™ team will provide us with an improved global marketing platform particularly for our mid-engine cars, allowing us to benefit from increased global brand exposure.

#### COVID IMPACTS ON THE MARKET AND OUR PERFORMANCE IN 2020

The global outbreak of COVID-19 has and is likely to continue to impact the Company and many of our suppliers, dealers and customers for an indeterminable period of time. In particular, the pandemic has caused dealer and consumer demand for cars and sales of luxury goods more generally to decline significantly, in part due to lockdown measures imposed across the regions in which we operate. This included impacts on our dealer network with a significant percentage of our network closed for extended periods of time during the year. This was the primary driver of the 32% decline in our retail sales (being dealer sales to our customers) for the year.

More information on our 2020 financial performance can be found in the Group Financial Review set out on page 29.



# A NEW APPROACH

**VISION AND PURPOSE : TO ENRICH WHAT IS UNIQUE TO THE ASTON MARTIN BRAND – THE COMBINATION OF HIGH PERFORMANCE AND ULTIMATE LUXURY TOGETHER IN ONE AUTOMOBILE. WE WILL ACHIEVE THIS BY BECOMING THE MOST AGILE AND EFFICIENT COMPANY IN THE LUXURY SEGMENT, TO ACHIEVE THE BEST OUTCOME FOR THE PRODUCT, OUR CUSTOMERS, OUR INVESTORS AND OTHER STAKEHOLDERS.**

## CREATING A WORLD-CLASS LUXURY AUTOMAKER AND MAXIMISING SHAREHOLDER VALUE

In light of the Company's 2019 operational and financial performance and a challenging HLS car market, we conducted a comprehensive review of our business and longer-term strategic options and took significant steps to strengthen our leadership and capital structure. Our new leadership team of Tobias Moers and Kenneth Gregor have a wealth of automotive experience, and our Executive Chairman has world-class luxury retail experience. We strengthened our capital structure with the significant investment by the Yew Tree Consortium and other shareholders through the financing and capital transactions completed during the year. Importantly, we announced our landmark Strategic Cooperation Agreement with Mercedes-Benz AG to secure access for the Company to world-class technologies critical to supporting our long-term expansion plans. More information on the capital and financial transactions which took place during the year can be found in the Chief Financial Officer's Statement on page 28. More information on the Strategic Cooperation Agreement can be found in the Directors' Report on page 83.

Our new business plan is focused on turning around performance, restoring price positioning and delivering a more efficient operational footprint to de-risk the business and position the Company for long-term, profitable growth. We are dedicated to building on the inherent strengths of our business, including our brand, engineering prowess and

the skills of our people to maintain our reputation as a pre-eminent luxury car brand and to forge the foundations for a bright future.

Delivery of improvement in profitability starts with an enhanced product offering and disciplined production to order, to generate a margin more aligned to the luxury automotive segment. This will be supplemented with an enhanced operational focus on improved manufacturing efficiency, cost and investment control and greater discipline on cash flow, driven by a strategy to optimise the Company's structure to deliver an operational level of excellence in line with the updated product and new business plan. More detail on the key strategies underpinning the business plan are set out on the opposite page.

The Company is targeting revenue of approximately £2bn and Adjusted EBITDA of approximately £500m by financial years 2024/2025, underpinned by the Strategic Cooperation Agreement with Mercedes-Benz AG and targeted annual capital expenditure of £250m to £300m per annum between 2021 and 2025.

By 2025, the plan is to produce about 10,000 units a year. Importantly, we will move into the more profitable segment of mid-engine cars, particularly leveraging the reach and branding of the Aston Martin Cognizant F1™ branded team for the performance road car business. In particular, we are looking forward to delivering the Aston Martin Valkyrie Special hypercar from the second half of 2021 which will serve as ambassador for our mid-engine programme.



# KEY STRATEGIES UNDERPINNING THE BUSINESS PLAN

## ● OFFER CORE PRODUCT FOCUSED ON A THREE-PILLAR STRATEGY: FRONT-ENGINE, SUV AND MID-ENGINE

- A three-pillar product strategy to include a core car in each segment as well as derivatives and in-cycle improvements of each core model to maintain demand over the product life cycle.
- Special editions to enhance brand exclusivity, profitability and profit margins.
- Accessing the luxury SUV segment and customers' need for a more versatile, luxurious and comfortable car, with the launch of our first SUV, the DBX in 2020.
- Addition of mid-engine cars to enhance our offering, with a core mid-engine supercar (the Vanquish) taking its lead from the Specials programme of the Aston Martin Valkyrie and the Valhalla hypercars.

## ● TRANSITIONING TO "BUILD-TO-ORDER" AND PERSONALISATION

- Focus on restoring price positioning and delivering a more efficient operational footprint in order to de-risk the business and position it for controlled, long-term, profitable growth.
- Move towards a build-to-order strategy to manage our sports car wholesales to maintain the appropriate balance between supply and demand to regain a stronger order book, pricing power and margin enhancement.
- Strong progress in reducing global dealer inventory during 2020 with de-stocking of the dealer network by more than 1,500 sports and GT units.
- Reinvigorate marketing initiatives to raise brand awareness and drive volumes including digitally led, personalised marketing engagements, "Art of Living" experiences, the exclusive Henniker club and leveraging the Aston Martin Cognizant F1™ team during 2021. The F1™ sponsorship agreement, with commercial terms commensurate with the Company's prior F1™ expenditure, is expected to help reignite the brand and further increase its desirability.

## ● DEVELOP SPECIALS PIPELINE TO ENHANCE FINANCIAL PROFILE

- Enhance our core range of cars by the addition of Special edition models each year to showcase our technical excellence and perpetuate our brand uniqueness, exclusivity and desirability.
- Specials demand high price points for the enhanced features they offer, are typically fully allocated prior to any significant capital commitment and generate higher margins than the core range.
- Deposits are required on allocation which typically allow Specials to be cash flow positive from design to the end of the product life cycle. This helps to maintain and control working capital swings.

## ● ENHANCE STRATEGIC PARTNERSHIPS

- Carefully chosen partnerships are a source of technical expertise, brand strengthening and future growth.
- The Strategic Cooperation Agreement with Mercedes-Benz AG enables us to secure access to world-class technologies critical to supporting our long-term product expansion plans, including electric and hybrid powertrains.
- Our collaboration with Red Bull Advanced Technologies has resulted in the widely anticipated Aston Martin Valkyrie which represents innovative design and extraordinary performance for a road car.

## ● CONTROL COST AND INVESTMENT

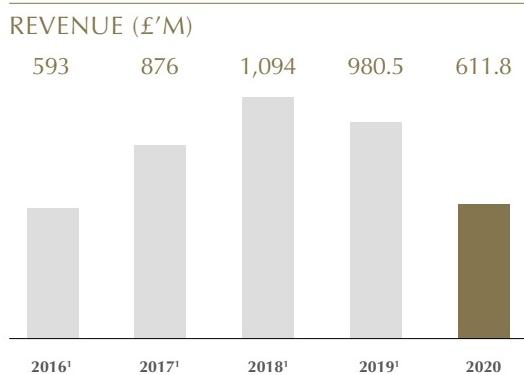
- Commitment to pursuing available revenue-generating opportunities in a manner that generates a high incremental return on our investments.
- Key priorities are to focus on new growth areas such as the SUV and the mid-engine markets to drive increased revenue and margins.
- Introduction of targeted capital investments, a new cost structure and lower sales volumes with premium pricing power to increase cash flows and margins.
- Launched a comprehensive programme ("Project Horizon") to improve efficiency, reduce costs and improve profitability in line with our plans.
- Consultation process with our employees and trade unions to implement a restructuring plan and reduce personnel by up to 500 permanent employees and 150 contractors, to enhance efficiency and reduce costs in line with lower than planned production volumes.
- We expect that advances, such as our modular based engineering which allows us to use shared systems and components to reduce engineering complexities, will result in cost-saving and model synergies going forward.

# KEY PERFORMANCE INDICATORS

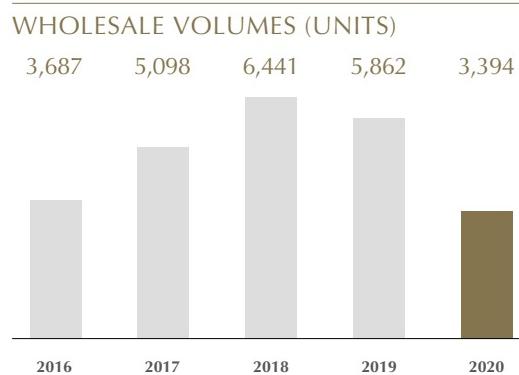
## FINANCIAL MEASURES

We use a number of KPIs to monitor the performance of the business and measure how we are delivering against our plans to become a world-class luxury automaker. Elements of Executive remuneration for 2020 are based on performance against the Adjusted EBITDA.

Reflecting changes in metrics used by the team aligned to the medium-term plan, the KPIs of Adjusted Diluted EPS and Adjusted Return on Invested Capital have been replaced with Free Cash Flow (defined as operating cash flow less capital investment and net interest). This metric encompasses generation and uses of cash, including investment and funding costs, as the business focuses on executing its plan to become sustainably cash generating.



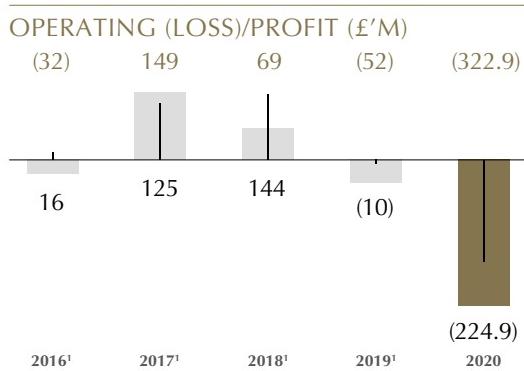
This measures the appeal of our brands, our ability to build and sustain brand equity and increase market share through product expansion.



This includes sales from the Company to its dealers and measures the appeal of our products across different segments and markets and reflects actions taken to right-size dealer and Company inventories.

## PERFORMANCE

2020 declined by 38% due to reduced wholesale volumes.

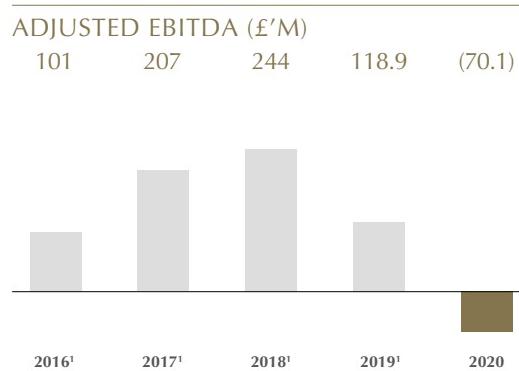


■ Operating (loss)/profit £m | Adjusted operating profit £m

This measures our operating profitability.

## PERFORMANCE

Operating loss of £323m included pre-tax adjusting operating items of £98m largely relating to impairment of capitalised development costs due to technology and cycle plan changes. The revenue decline as well as some higher costs, such as a £27m increase in depreciation and amortisation as DBX deliveries started also contributed to the year-on-year profit decline.

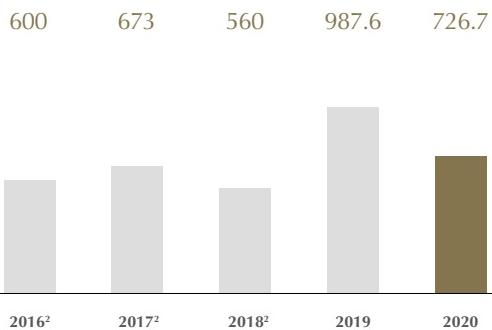


This measures our operating profitability and is an approximation of underlying cash generation prior to capital investment allocation.

## PERFORMANCE

Adjusted EBITDA was £(70)m with reduced revenue due to lower volumes and elevated retail and customer financing support to aid the rapid de-stocking of the dealer network.

#### NET DEBT (£'M)

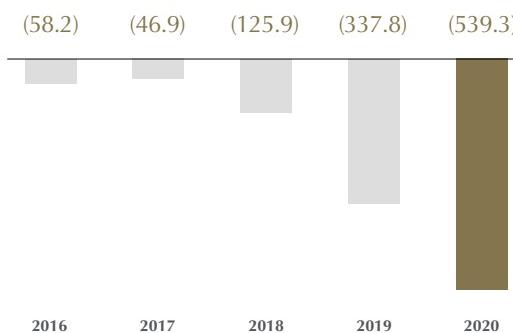


This measures our gross debt less cash and cash equivalents.

#### PERFORMANCE

Net debt was £727m, substantially lower due to cash inflow from financing activities, including gross proceeds of £813m in new equity and £1.1bn equivalent of US\$ notes issued as part of the refinancing.

#### FREE CASH FLOW (£'M)

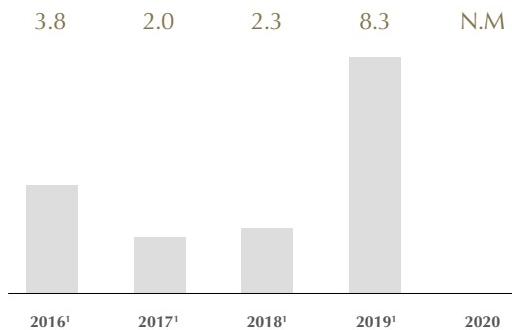


This measures generation and uses of cash, including investment and funding costs.

#### PERFORMANCE

Free cash outflow of £539m increased year-on-year principally due to the operating loss, sustained investment in future products with capital expenditure of £261m, a working capital outflow of £109m and net interest costs of £80m.

#### NET DEBT TO ADJUSTED EBITDA ("ADJUSTED LEVERAGE")



Adjusted leverage measures the Adjusted EBITDA against Adjusted Net Debt, measuring our ability to meet our financial obligations while investing for the future.

#### PERFORMANCE

Adjusted leverage is not measured due to the negative adjusted EBITDA for the year.

#### OTHER MEASURES

The Committee has introduced a Group scorecard of performance measures for the 2021 annual bonus to better reflect annual progress on our business plan and latest KPIs. This Group scorecard will be cascaded throughout the Company to apply to annual bonus for all employees, including the Executive Directors, providing strong alignment of focus and a 'One Team' approach. For 2021, the Scorecard will be weighted 80% on financial measures (with a 50% weighting on Adjusted EBITDA, 20% on Free Cash Flow and 10% on Wholesale volumes) and 20% on Quality performance. This will result in "Quality" being introduced as a new KPI for 2021. The definition of the quality measure is currently being considered and will be reported on in the next year's Annual Report.

Non-financial measures have an important role alongside financial measures to inform decision making and to evaluate Company performance. During the year there was a comprehensive review of the business and longer-term strategic options, the institution of an operational review and significant steps taken to strengthen the executive leadership and capital structure of the Company. As indicated above "Quality" is being introduced as a new KPI and the new executive management plan to assess appropriate additional non-financial measures with a view to establishing the key non-financial metrics for future reporting. Under review are measures relating to employee satisfaction, health and safety and customer satisfaction.

1. For the 12 months ended 31 December 2019 and 31 December 2018 the comparatives were restated.

Details of this restatement are shown in note 2. 2016 and 2017 have not been restated.

2. Net debt in 2016 to 2018 did not include lease liabilities as this standard was not adopted until 1 January 2019.

# PEOPLE

## OUR PEOPLE

We continue to be committed to making the Company a great place to work for all our colleagues and, while FY 2020 proved to be an extremely difficult year for all of us as it did for so many globally, we are proud of our people and all we have achieved together during the year. We would like to sincerely thank all of our workforce for their efforts in FY 2020 which were exceptional, despite the ongoing uncertainty and challenging circumstances.

The key areas of people focus during FY 2020 have included:

- responding to the COVID-19 pandemic, including a focus on the health, safety and wellbeing of our people;
- launching an organisational restructure programme, in line with our business strategy; and
- communicating and engaging with our people on a regular basis and in a transparent way.

As a key element of the Company-wide turnaround, we have launched the “I AM Aston Martin” workstream as part of Project Horizon. This is a programme focusing on developing our people strategy, including our organisational structure, roles and responsibilities, communication and engagement, capabilities and diversity and inclusivity to ensure the Company is a great place to work. Further information on these areas is detailed below.

### RESPONDING TO THE COVID-19 PANDEMIC

Our response to COVID-19 has been unprecedented, with the safety of our people, their families, business partners, customers and our local communities our primary concern. We are committed to operating in the safest and most responsible way that protects our people and all those connected with us, while following public health advice from relevant governments in support of their efforts to contain the spread of the virus.

All production at our UK manufacturing facilities was temporarily suspended from 25 March 2020, when the first nationwide lockdown was announced by the UK Government. We began the process of furloughing employees and accessed financial support offered by the Government’s “Job Retention Scheme”, information on the support we accessed is detailed on page 31.

From the end of March 2020, we worked closely with employees and trade unions to develop and implement protocols to protect employee health and safety in our production facilities to enable people to return to work. In early May 2020, we reopened our St Athan manufacturing site, with employees returning on a phased basis with strict “return to work” protocols issued, ensuring people who needed to be on site could return to work as safely as possible.

Production also resumed at our Gaydon site in August 2020, where learnings from the reopening of St Athan were carefully considered. The measures put in place included temperature checks on arrival on site, masks to be worn at all times except when sitting alone at a desk, social distancing of at least 2 metres to be maintained at all times, hand-washing and readily available sanitiser and PPE for those employees where social distancing is not possible. These measures have continued to evolve as we regularly review the situation whilst working closely with all of our stakeholders including employees, the trade union, the Government, public health authorities and local communities.

We continue to have many of our people working at home given the early 2021 lockdown in the UK and have implemented an on-site COVID-19 testing programme, with this now rolled out across all UK sites. Testing takes place twice a week and is administered by a nurse, healthcare professional or first aider. The rapid flow antigen test is used giving results in 15 minutes, with any positive case found helping to stop the spread of the virus among our employees, colleagues and families.

### ORGANISATIONAL RESTRUCTURE PROGRAMME

We launched an organisational restructure programme during FY 2020 to right-size the Company in line with our business plan and to ensure we put the right people and structure in place to successfully deliver our strategy.

In June 2020, we began the programme by launching a number of employee consultation processes on proposals to reduce employee numbers by up to 500, reflecting lower than originally planned production volumes and improved productivity across the business. These were managed through a number of employee representative bodies for each area of the business and with our trade union stakeholders (Unite). Management’s aim continues to be to minimise the impact on employees, protecting as many jobs as possible, understanding the uncertainty and concern faced by our people.

As a result of the constructive working partnership with our representative groups and Unite, we had, by 31 December 2020, made good progress, with headcount c.300 lower than in April 2020, with 40% of this reduction due to contract and agency staff release, around 35% voluntary redundancy leavers and around 25% compulsory redundancies. All our people who left the Company through redundancy were offered outplacement support, with a high take up rate of this support. The restructure programme is ongoing and is expected to be completed by the end of June 2021.

**COMMUNICATING AND ENGAGING WITH OUR PEOPLE**

We recognise that open, transparent, two-way engagement with our people is of vital importance across our business. Listening to our employees is key as we seek to ensure they feel like key stakeholders of the business, their views are valued, and they feel able to speak up, be honest and be themselves at work. Communication with our people has been critical during the uncertainty of the COVID-19 pandemic and our ongoing organisational restructure programme. As part of the “I AM Aston Martin” workstream, and as we hopefully return to more “business as usual” times, we are developing and will work to a clear communication strategy for 2021 and beyond.

We launched a COVID-19 corporate update portal, providing latest information and Company actions in one place, accessible to all employees at all times. We have distributed all-employee communications regularly since the pandemic began, including from our CEO, Tobias Moers, who has given regular updates since he joined in August, including by email, video messages and live townhall meetings. Management have regularly engaged with employee representative groups and the trade union (Unite) on the impact of the COVID-19 pandemic on the business, the actions taken in response and updating on the organisational restructuring.

We have also continued to share information about Company matters with our people, including quarterly results, major business decisions and other matters which affect our workforce, through a variety of media, including our intranet, internal emails, newsletters and team briefings.

We have an Employee Engagement Group (EEG) which is a well-established group, usually meeting four times a year to discuss views, ideas and concerns raised by the workforce. Two meetings were held in the first half of the year – these were well attended, with elected members from all areas of the Company bringing forward comments and views from their populations. As we hopefully return to more business as usual conditions, EEG meetings will resume with normal frequency in FY 2021. Imelda Walsh held the role of Workforce Independent Non-Executive Director, with responsibility to directly engage with our workforce until she stepped down at the end of May 2020. Imelda attended the spring meeting of the EEG and provided feedback on this to the Board. Anne Stevens was appointed to the Board in early February 2021 and has taken up the role as the Workforce Independent Non-Executive Director, enabling us to ensure that workforce views continue to be highlighted to the Board.

Until 2019, we conducted an annual workforce engagement survey. Given all that was happening in 2020, both for the Company and externally with COVID-19, a survey was not carried out during the year. We are reviewing our approach to the engagement survey in FY 2021. A key aim of this review is to enable us to benchmark our results not only year-on-year but also against industry and FTSE peers and to report on “employee satisfaction”, by adopting an engagement index as an important KPI for the business. Given the review of approach, the next engagement survey will be conducted in H2 FY 2021. Follow-up actions at Company, function and team-level will be developed and then actioned and reported on to the workforce. Accountability for actions will be cascaded through the organisation, to ensure follow-up and responses are relevant at every level through the Company.

**CAPABILITY DELIVERY**

We are focused on building capability across the Company to ensure our people have the right skills to deliver the business plan and we are committed to helping our workforce to develop and grow throughout their careers. Management development qualifications are offered across the Company. These include Chartered Management Institute and MBAs for our high potentials and we also operate an online global learning management system, accessible at all times to all our employees globally. Our learning and development offering proved vital to a number of our workforce who were unable to work due to the COVID-19 pandemic and were able to access and continue their studies during this period.

We operate a People Committee, which is a group of our most senior executives, responsible for overseeing people activities across the business and ensuring we have a strong talent pipeline and capability in the areas most critical to the delivery of our strategy. This Committee meets quarterly to review key people initiatives and identify high performing talent with the potential to progress into senior positions. The People Committee is a key stakeholder of the “I AM Aston Martin” workstream.

## PEOPLE AND STAKEHOLDER ENGAGEMENT CONTINUED

### DIVERSITY AND INCLUSION

We are committed to creating, delivering and incentivising an inclusive staff experience that aligns with what the Company needs to deliver our strategy. Diversity is core to our principles of fairness and respect and drives creativity, innovation and strategic decision making. Developing and growing our diverse workforce is critical to our future success by better equipping us to deliver the needs of our customers now and in the future. We recognise that we have work to do in this area and that consistent and continuous actions to push a greater balance of diversity are vital. Broadening our diversity and inclusivity agenda is a key priority for the Company in FY 2021, as part of our "I AM Aston Martin" workstream.

We remain committed to offering equal job opportunities for all, irrespective of gender, and continue to invest in initiatives to attract and retain the best possible talent for our organisation.

Operating within the manufacturing and engineering industry has historically led to a higher proportion of men than women in our workforce. Our gender diversity figures are set out in the table below, and our Gender Pay Gap (GPG) report is available at [www.astonmartinlagonda.com](http://www.astonmartinlagonda.com). Our mean pay gap has decreased from 7.0% in 2019 to 2.56% in 2020, largely due to the temporary salary and fee waivers taken by Board members and senior management during April, May and June. The full GPG report sets out and explains our numbers in detail, together with the initiatives we operate to focus on addressing gender diversity in our workforce.

### EMPLOYEES BY GENDER (AS AT 31 DECEMBER 2020)<sup>^</sup>

	Male	Female	% female
Senior management team	7	–	0.0%
Senior leadership team	53	12	18.5%
Other employees	1,937	333	14.7%
<b>Total</b>	<b>1,997</b>	<b>345</b>	<b>14.7%</b>

### EMPLOYEES BY REGION (AS AT 31 DECEMBER 2020)<sup>^</sup>

	Male	Female	% female
Asia Pacific	24	20	45.5%
EMEA	22	8	26.7%
UK	1,931	311	13.9%
Americas	20	6	23.1%
<b>Total</b>	<b>1,997</b>	<b>345</b>	<b>14.7%</b>

Note: Data by gender and region is shown for 2,342 permanent Company employees only

<sup>^</sup> Values assured by ERM CVS

### EXTERNAL ASSURANCE OF RESPONSIBILITY AND PEOPLE DISCLOSURES

ERM CVS has provided limited assurance over selected metrics in the "Responsibility" and "People" sections of the Annual Report, as indicated by the "<sup>^</sup>" Symbol. This is in accordance with the International Auditing and Assurance Standards Board's (ISAE3000 (Revised)) international standard. To see the ERM CVS assurance statement please visit [www.astonmartinlagonda.com](http://www.astonmartinlagonda.com).

### WELLBEING AND HEALTH AND SAFETY

Safeguarding the health and wellbeing of our employees is of primary importance. Our processes aim to ensure the health and safety of our workforce, visitors and the local community. Our aim is to be a centre of excellence and for the Company's Health and Safety Management System to be aligned with best practice.

To continually drive improvement in our processes, we monitor the Accident Frequency Rate (AFR) within the Company and across our various sites to identify where improvements can be made. In 2020, the Company's AFR increased (see table below). This can be attributed to two factors, first the commencement of full-scale operations at our St Athan plant and second our mature Gaydon manufacturing facility with a significantly lower AFR was not operational for five months of the year and therefore not

contributing to the AFR during that time. While we are disappointed by the increase in AFR, our AFR rate of 1.44 in 2020 is still significantly below the industry standard of 3.0 and motor industry average of 6.7.

Throughout 2020 and continuing into 2021, we have increased our focus on employee wellbeing and communication as set out above. This has been particularly important during the pandemic and increase in working from home. Actions taken during the year have included the launch of a wellbeing portal, aimed at providing employees with information and support for maintaining physical, mental and financial wellbeing, offering "Positive Coping" webinars, mental health awareness training, a "Thrive" App to support mental health and an Employee Assistance Programme. We are also developing a flexible working policy to be implemented in 2021.

### WELLBEING AND HEALTH AND SAFETY (AS AT 31 DECEMBER 2020)

	2018	2019	2020
Accident Frequency Rate*	1.27*	1.04**	<b>1.44</b>
Sword of Honour Award	7th consecutive time	8th consecutive time	<b>9th consecutive time</b>
BSC Health and Safety audit score	95.50%	94.44%	N/A~

\* Accident Frequency Rate (AFR) – AFR accident frequency rate for AML UK employees / 200,000 manhours (or per 100 employees). The figure for 2018 only includes loss-time incidents

\*\* AFR rate is being restated following the inclusion of data from AML sites and adjusting the calculation in line with the Health & Safety Executive (HSE) recommendations

# This figure only includes UK employees

~ The BSC Health and Safety Audit Score will not be completed until March 2021 due to COVID-19 pandemic delays



# STAKEHOLDER ENGAGEMENT

**SECTION 172 STATEMENT: THE BOARD RECOGNISES THAT OUR BUSINESS AND OUR BEHAVIOURS IMPACT OUR CUSTOMERS, PEOPLE, INVESTORS AND OTHER STAKEHOLDERS. AS DIRECTORS OF THE COMPANY, WE MUST ACT IN ACCORDANCE WITH A SET OF GENERAL DUTIES WHICH ARE SET OUT IN S172 OF THE COMPANIES ACT 2006 AND, IN DOING SO, SEEK TO CONSIDER THE INTERESTS OF OUR STAKEHOLDERS WHEN REACHING DECISIONS.**

We believe that stakeholder engagement is a key element of delivering a sustainable business and this activity is undertaken across our business at different levels of the organisation. During the year much of our stakeholder engagement was driven by COVID-19 impacts as well as the significant steps the Company was taking to strengthen our leadership and capital structure. Information on our key stakeholders, their priorities and how we engaged with them during the year, is provided in the table below and throughout this Report. Regular updates were provided to the Board on these engagement activities with more information set out in the Governance Report on page 49.

Stakeholder	Stakeholder priorities	Engagement during 2020
<b>CUSTOMERS AND ENTHUSIASTS</b>  Customers and enthusiasts are key to our brand and our business success. Their emotional connection with the brand enables us to build a strong and loyal customer base.	<ul style="list-style-type: none"> <li>• Quality and safety of products</li> <li>• Car design and performance</li> <li>• Environmental commitment</li> <li>• Brand strength</li> <li>• After-sales service</li> <li>• Cost of ownership</li> </ul>	<ul style="list-style-type: none"> <li>• With the reduction in the number of physical events, utilisation of online channels to keep customers and fans engaged. Both V12 Speedster and Vantage Roadster were launched digitally, and the Geneva Motor Show was replaced with a live streamed event from Gaydon</li> <li>• Utilisation of the Company's CRM systems to engage customers digitally and keep them informed of key model and Company updates during the pandemic</li> <li>• COVID-19 led to an increase in social media engagement and interaction, with traffic to the web-based configurator also increasing</li> </ul>
<b>OUR PEOPLE</b>  Our people are the key to our success. Our performance depends on our passionate, knowledgeable, experienced and creative people.	<ul style="list-style-type: none"> <li>• Job security, personal development and career opportunities</li> <li>• Health and safety</li> <li>• Engagement</li> <li>• Feeling valued</li> <li>• Reward and benefits</li> <li>• Diversity and inclusion</li> <li>• Environment and social responsibility</li> </ul>	<ul style="list-style-type: none"> <li>• Regular CEO updates to the workforce</li> <li>• Employee/trade union engagement on development and implementation of COVID-19 protocols for on-site health and safety</li> <li>• Launch of the COVID-19 employee portal with latest information and Company actions and employee wellbeing support activities</li> <li>• Employee and trade union consultation as part of organisation restructure programme</li> <li>• Launch of the "I AM Aston Martin" programme to develop our people strategy and culture</li> <li>• Engagement by the Workforce Independent Non-Executive Director (prior to COVID-19 restrictions) with the Employee Engagement Group (EEG)</li> <li>• Given events, the regular Employee Engagement Survey was suspended this year but plans to reinstate in 2021</li> <li>• For more information see our People section on page 18</li> </ul>

Stakeholder	Stakeholder priorities	Engagement during 2020
<b>INVESTORS</b> Continued access to capital is vital to the long-term performance of our business. Our focus is to ensure investors understand our strategy, performance, ambition and culture and to understand their priorities.	<ul style="list-style-type: none"> <li>Delivery of the Company's new strategy</li> <li>Robust financing</li> <li>Financial performance</li> <li>Sustainability</li> <li>Governance and transparency</li> <li>Confidence in the leadership</li> <li>Stability and predictability with no surprises</li> </ul>	<ul style="list-style-type: none"> <li>Investor relations programme delivered remotely following the implementation of COVID-19 protocols</li> <li>Increased activity around refinancing and equity raises throughout the year alongside communication of corporate events (e.g. DBX launch) and strategic updates (e.g. Mercedes-Benz AG Strategic Cooperation Agreement)</li> <li>Presentations and meetings by the Executive Chairman, CEO, CFO and Director of Investor Relations</li> <li>Individual shareholders engaged via direct communications, our website (including webcasts of results presentations and key announcements), press activities, Annual Reports and General Meetings and Annual General Meeting (AGM)</li> <li>Retail offer to shareholders in June as part of wider equity placing</li> <li>Move to principally online engagement supported efficient global reach</li> <li>For more information see our Governance Report on page 52</li> </ul>
<b>DEALER NETWORK</b> Our dealers are the direct contact point for our brand to our customers. They enable us to maintain control over our brand positioning and luxury customer service in a cost-effective way.	<ul style="list-style-type: none"> <li>Brand strength and Company support</li> <li>Car design and performance</li> <li>Quality and safety of products</li> <li>Customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>CEO engagement to strengthen dealer relationships and to explain build-to-order strategy</li> <li>Two virtual dealer conferences held during the year</li> <li>Dealer network programme to educate, develop and monitor dealers. Distance learning modules to safely maintain dealer training</li> <li>Revised guidelines for sales and servicing to prioritise customer and team safety</li> <li>Customer reporting system to track dealer performance</li> <li>Conditions accelerated move towards increased digitisation and growth in online engagement, including highly targeted digital marketing activations</li> <li>For more information see our Global Footprint section on page 2</li> </ul>
<b>LOCAL COMMUNITIES</b> Building positive relationships with those we impact enables us to maintain trust and to support our communities.	<ul style="list-style-type: none"> <li>Trust and ethics</li> <li>Safety</li> <li>Sustainability and non-financial performance including environmental impact of our products</li> <li>Career opportunities for members of the local community</li> <li>Local operational impact</li> </ul>	<ul style="list-style-type: none"> <li>Production of PPE for frontline workers including visors, and intubation shields for intensive care staff</li> <li>Free emergency vehicle repairs for NHS staff through Aston Martin Works</li> <li>Dedicated community investment team</li> <li>Sponsorship and employee volunteering</li> <li>Engagement with local councils on community matters</li> <li>For more information see our Responsibility section on page 27</li> </ul>
<b>SUPPLIERS AND OTHER PARTNERSHIPS</b> Our suppliers are fundamental to our business, particularly ensuring their quality and efficiency. Carefully chosen partnerships provide us with an important source of technical expertise and brand enhancement.	<ul style="list-style-type: none"> <li>Responsible procurement, trust, ethics and open dialogue</li> <li>Operational improvement</li> <li>Competitiveness</li> <li>Strong relationships</li> <li>Financial performance</li> <li>Building capability and expertise</li> <li>Design and technical expertise</li> </ul>	<ul style="list-style-type: none"> <li>New Strategic Cooperation Agreement with Mercedes-Benz AG securing access to technologies critical to our long-term plans</li> <li>Sponsorship of Aston Martin Cognizant F1™ team from 2021 to provide direct global marketing platform targeting key customers and enhancing the brand</li> <li>Ongoing partnership with Red Bull Advanced Technologies to create the Aston Martin Valkyrie</li> <li>Dedicated Supplier Quality Development team manages supplier quality and performance</li> <li>Risk Management Centre actions operational responses to supplier issues</li> <li>Establishing confident sources of supply for the future</li> </ul>

# RESPONSIBILITY

WE CONTINUE OUR COMMITMENT TO BE A SUSTAINABLE LUXURY AUTOMOTIVE BUSINESS. TO STRIVE FOR RESPONSIBLE AND ECONOMIC GROWTH, EMBRACING THE PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT AND THE TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD). WE COMMIT TO DOING BUSINESS IN AN ETHICAL AND TRANSPARENT MANNER.

The Group's Environmental, Social and Governance (ESG) Strategy embodies the United Nations Sustainability Development Goals (SDGs). Our focus is on striving for sustainable excellence and ethical decision making, with the aim of delivering both stakeholder value and a competitive advantage to the Company.

We have ambitious global ESG goals, which are adopted at a local level. These shape the Company's activities in the areas of the environment in which we operate, our social responsibility and the governance of our operations. This is set out in more detail in the diagram below.

## MISSION

DELIVERING STAKEHOLDER VALUE THROUGH ETHICAL AND SUSTAINABLE EXCELLENCE,  
TO CREATE A LONG-TERM COMPETITIVE ADVANTAGE

## ESG STRATEGIC GOALS

### SUSTAINABLE PRODUCT STRATEGY

Continued Fleet CO <sub>2</sub> Reduction	Sustainable Product Enhancements	Portfolio Electrification	Product Safety
ENVIRONMENTAL SUSTAINABILITY	SOCIAL RESPONSIBILITY	GOVERNANCE	
Integrate environmentally sustainable culture and practices across the business	Ensuring we are a socially responsible company and a great place to work	Ensuring good corporate governance and maintaining a sustainable supply chain	
<ul style="list-style-type: none"> <li>Reducing carbon emissions</li> <li>Reducing energy usage and increasing efficiency</li> <li>Reducing waste</li> <li>Increasing recycling</li> <li>Reduce water consumption</li> </ul>	<ul style="list-style-type: none"> <li>Building a sustainable culture</li> <li>Promoting diversity &amp; inclusion</li> <li>Employee engagement</li> <li>Health &amp; wellbeing</li> <li>Community engagement</li> <li>Educational outreach</li> <li>STEM* promotion</li> <li>Philanthropic activities</li> </ul>	<ul style="list-style-type: none"> <li>Materiality Analysis</li> <li>Board level commitment to ESG &amp; TCFD</li> <li>Driving a responsible business culture</li> <li>Modern Slavery Act commitment</li> <li>Responsible and ethical sourcing</li> <li>Transparency in the supply chain</li> </ul>	

\* Science, Technology, Engineering, Maths (STEM)

ELECTRICITY CONSUMPTION DECREASED BY <b>5.5%</b>	GAS CONSUMPTION INCREASED BY <b>2.7%</b>	MANUFACTURED CO <sub>2</sub> PER UNIT <b>5.01</b> (tCO <sub>2</sub> e)
WATER CONSUMPTION DECREASED BY <b>41%</b>	WASTE DIVERTED FROM LANDFILL <b>100%</b>	WASTE RECYCLED <b>61%</b>

## ENVIRONMENTAL SUSTAINABILITY

External focus continues to increase on companies' environmental performance and how they respond to the threat of climate change. We take our responsibility to the environment seriously, with environmental sustainability being an important focus in line with the TCFD. We will move towards full compliance with TCFD for next year.

## ENVIRONMENTAL POLICY

We are focused on our pursuit of continuous improvement in our environmental performance including the prevention of pollution and waste at source in line with our business objectives, using recognised environmental best practices wherever possible. Our Environmental Policy aligns with the Company's operations, including the design, engineering, manufacture, servicing or restoration of our products or the distribution of parts.

Our objectives and commitments to the environment and the community are the following:

- Comply as a minimum with all relevant environmental legislation as well as other environmental requirements, whilst seeking to strive beyond these wherever possible.
- Commit to ongoing reductions in energy and resource consumption in the manufacture and operation of our vehicles, and an ongoing reduction in our carbon footprint.
- Assess through a risk-based approach the threats and opportunities of climate change to the Company, our activities, products and services with the aim of ensuring the appropriate preparations are made.
- Set, monitor and attain all objectives and targets for managing our environmental performance, to control the environmental aspects of all products, processes and facilities.
- Minimise the impact of our activities, products and services through effective waste management.
- Give due consideration to environmental issues and energy performance in the acquisition, design, refurbishment, location and use of buildings.
- Promote sustainable product design and construction with consideration from a life cycle perspective, using low carbon and renewable energy resources wherever possible.
- Operate and maintain an environmental system in line with ISO 14001:2015.
- Communicate internally and externally our Environmental Policy, working with our employees, suppliers and partners to promote improved environmental performance and encourage feedback.

This policy statement represents our general position on environmental issues, and the policies and practices we will apply in conducting our business. This policy statement will be reviewed each year by the Company's Executive Committee.

## GREENHOUSE GAS EMISSIONS

Our greenhouse gas emissions reported here are in accordance with the Greenhouse Gas Protocol Corporate Standard for the year to 31 December 2020. These are monitored throughout the year to enable us to make continued improvements, wherever possible. The intensity ratio is measured as tonnes of CO<sub>2</sub> equivalent per car manufactured as it reflects the energy intensive nature of our business and the impact of the growth of the business on our immediate surroundings.

## Methodology

We calculate our greenhouse gas emissions in the following way:

**Scope 1** – Includes emissions of gas, petrol on site, diesel used for emergency heating and firing pumps, refrigerant refill, LPG and fuel from Company pool cars. Figures are obtained through utility bills, direct from suppliers and through the Company's internal systems. The DEFRA emissions factor for 2020 is then used to calculate the figures.

**Scope 2** – The Location-Based Assessment includes emissions from electricity consumption, sourced direct from utility bills, while the Market-based Assessment includes emissions from electricity consumption based on sources of electricity. The DEFRA/ IEA emissions factor for 2020 is then used to calculate these figures.

**Scope 3** – Includes emissions from business air travel, management car miles, personal car mileage and employee commuting figures. The DEFRA emissions factor for 2020 is then used to calculate the figures.

This year we made a number of changes in our Scope 1 and Scope 2 emissions calculations, including data from our overseas operations as well as including refrigerant refill used in our vehicles in our Scope 1 calculation for the first time.

## ENERGY EFFICIENCY

We continually strive to make improvements to our energy efficiency across our sites with a number of energy efficiency measures aimed at supporting our journey to carbon neutrality. Over the course of the past year we commenced full rate production at our St Athan facility, which has substantially increased our energy consumption, despite overall group volume being down. In this time we have continued to roll out a programme of replacing all of our legacy lighting for energy efficient LEDs across our portfolio. This will continue into 2021 with a focus on our St Athan site.

Our production volume in 2020 was significantly lower than in previous years (from 6,176 to 3,344 Units) due to the COVID-19 pandemic and general business restructuring. This therefore had a negative impact on our resource consumption and GHG emissions per unit which were up from 2.86 to 5.01 tCO<sub>2</sub>e. Please see Greenhouse Gas Emissions Per Unit table on page 26.

To reduce our energy consumption, we have optimised our Building Management System, including a greater level of automation, to ensure that our lighting, heating and cooling are streamlined to times when our sites are operational. In addition to this we have re-invigorated our energy management programme across the business, with a renewed focus on site/departmental ownership of energy consumption, which has led to greater employee awareness and alignment with the Company's ambitions.

In 2018 we made the decision to source our electricity for our UK operations, through Renewable Energy Guarantees of Origin (REGO) backed sources. We further enhanced this in 2020 with the establishment of an energy partnership, which will cover Renewable Energy supply starting in 2021, with on-site generation to follow.

## RESPONSIBILITY CONTINUED

### TOTAL GREENHOUSE GAS EMISSIONS

	2017	2018	2019	2020
GHG Emissions Under Scope 1 (tCO <sub>2</sub> e)	5,596.87	6,950.92	8,981.40	<b>9,200.67<sup>^</sup></b>
GHG Emissions Under Scope 2 (tCO <sub>2</sub> e) – Location based*	8,045.34	7,493.70	8,683.50	<b>7,545.86**<sup>^</sup></b>
GHC Emissions Under Scope 2 (tCO <sub>2</sub> e) – Market based*	–	5,899.90	3,484.61	<b>687.28**<sup>^</sup></b>
GHG Emissions Under Scope 3 (tCO <sub>2</sub> e)	11,294.66	13,331.11	8,806.94	<b>6,620.37<sup>^</sup></b>
UK Total Gross Scope (Scope 1 & Scope 2)	13,642.01	14,444.61	17,664.90	<b>16,642.17<sup>^</sup></b>
ROW Total Gross Scope (Scope 1 & Scope 2)	–	–	–	<b>104.36<sup>^</sup></b>
Total Gross Scope (Scope 1 & Scope 2)	13,642.01	14,444.61	17,664.90	<b>16,746.53<sup>^</sup></b>

\* Market-based and Location-based approach adopted to quantify Scope 2 GHG emissions from 2018

\*\* Scope emissions calculations include ROW operations

<sup>^</sup> Values assured by ERM CVS

### GREENHOUSE GAS EMISSIONS PER UNIT

	2017	2018	2019	2020
Manufactured Volume (units)	5,346	6,432	6,176	<b>3,343<sup>^</sup></b>
Total Scope 1 Emissions per unit	–	1.08	1.45	<b>2.75<sup>^</sup></b>
Total Scope 2 Emissions per unit	–	1.17	1.41	<b>2.26<sup>^</sup></b>

<sup>^</sup> Values assured by ERM CVS

### TOTAL ENERGY CONSUMPTION WITHIN ORGANISATION

	2017	2018	2019	2020
Electricity (MWh)	22,884.86	26,472.94	33,973.01	<b>32,144.15**<sup>^</sup></b>
Gas (MWh)	26,402.93	33,733.53	43,574.51	<b>44,796.00<sup>^</sup></b>
Diesel (MWh)~	–	–	14.92	<b>4.34<sup>^</sup></b>
Gasoline (MWh)	3,193.32	3,236.56	2,712.98	<b>1,779.25<sup>^</sup></b>
LPG (MWh)	–	–	563.60	<b>43.52<sup>^</sup></b>
UK Total consumption	52,481.11	63,433.03	80,839.02	<b>78,573.14<sup>^</sup></b>
ROW Total consumption	–	–	–	194.11
Total (MWh)	52,481.11	63,433.03	80,839.02	78,767.26

~ Values in this table have been restated as we do not have any direct diesel usage within the organisation

<sup>^</sup> Values assured by ERM CVS

\*\* Includes ROW operations in calculation

### PRODUCT SUSTAINABILITY

We continually look to make improvements in the CO<sub>2</sub> footprint of our products, whilst investing in new technologies to further reduce their carbon impact. We understand that having hybrid and electric options for our vehicles is imperative to the Company's future in this industry and our partnership with Mercedes-Benz AG is fundamental to this.

Our ambition is that by 2025 every one of our cars will have an electrified powertrain either hybrid or pure electric.

Our ultimate goal is that by 2030, 50% of our cars will be battery electric vehicles, 45% performance oriented electrified power and 5% carbon for track-only use.

### PRODUCT CO<sub>2</sub> EMISSIONS

	Vantage Coupe	Vantage Roadster	DB11 V8 Coupe	DB11 V8 Volante	DB11 V12 Couple	DBS Superleggera V12	DBS Superleggera V12 Volante	DBX V8
CO <sub>2</sub> (g/km) <sup>#</sup>	264	263	254	257	303	306	306	323

# Figures based on WLTP test cycle

### WASTE MANAGEMENT

Working with our suppliers, partners and staff we continue to reduce our waste year on year, whilst continually looking for ways to increase our recycling rates. Office waste was down over the course of the year, but this was largely due to staff working remotely due to the COVID-19 pandemic.

	2017	2018	2019	2020
Total waste (tonnes)	1,320.99	1,800.00	1,566.02	<b>394.39</b>
Reused (tonnes)	46.12	43.11	40.21	<b>8.72</b>
Recycled (tonnes)	842.73	1,262.86	987.81	<b>243.82</b>
Recover (tonnes)	432.14	494.03	538.01	<b>141.85</b>

## WATER CONSUMPTION

Water consumption continues to be a focus for the business following the introduction in 2018 of a water management system to measure and monitor our water consumption, recycling and discharge levels. This system has enabled us to identify areas of high usage and to implement water saving measures. Consumption in 2020 was down on 2019, largely due to the reduced volume and staff working remotely due to the COVID-19 pandemic.

### WATER CONSUMPTION (M<sup>3</sup>)

	2018	2019	2020
Water consumption (M <sup>3</sup> )	54,029.25	59,233.78 <sup>^</sup>	<b>34,477.65<sup>^</sup></b>

<sup>^</sup> Values assured by ERM CVS

Note: These figures represent the water consumption at our UK sites only.

## SOCIAL RESPONSIBILITY

Ensuring Aston Martin is a socially responsible company and a great place to work is a key priority. Our people are integral to this and the "I AM Aston Martin" programme aims to ensure the Company is a great place to work, by fostering greater communication and engagement with our employees as well as seeking to develop the capability, diversity and inclusivity of the workforce and workplace. Further information is set out in the People section on page 18.

## HEALTH AND WELLBEING

The health and wellbeing of our employees, visitors and communities is another critical element of our social responsibility agenda. Our processes aim to ensure the health and safety of our workforce, visitors and the local community. Our Health and Safety Policy is developed in line with ISO 45001:2018 guidance. Further details on wellbeing and health and safety can be found in the People section on page 21.

## ANTI-BRIBERY AND CORRUPTION

To ensure that the Company and its employees conduct its business in an ethical and transparent way, we have a number of policies including in relation to anti-bribery and anti-corruption, gifts and hospitality and whistleblowing, that govern business conduct with our key stakeholders. These policies include the giving and receiving of gifts, meals and hospitality, invitations to government officials, our approach to facilitation payments, and matters in relation to the appointment of dealers. We have a gift and hospitality register and an annual certification process to monitor compliance whereby all employees are required to review our Standards of Corporate Conduct and certify that they have read and understood them.

## COMMUNITY

As a business we actively engage in the communities in which we operate. Core to our Corporate Responsibility Strategy is partnering with local stakeholders and charities to make our communities stronger and to have a positive impact in the areas we work and live.

A key example of this was during the COVID-19 pandemic when our teams supported the NHS, through the production of PPE for frontline workers such as visors, gowns and intubation shields for intensive care staff. We also offered free emergency vehicle repairs for NHS staff through Aston Martin Works.

Annually, we support four charities. Two are selected to reflect our Company culture, heritage and brand, whilst the other two are chosen by our employees.

In 2020, we were proud to support the following two corporate charities:

- The RAF Benevolent Fund, the RAF's leading welfare charity with a proud tradition of looking after all serving and former members of the RAF as well as their partners and dependent children.
- The Prince's Trust, a youth charity that helps vulnerable young people aged 11 to 30 get into jobs, education and training.

In addition to our formal charity partnerships, we actively encourage our employees to support a range of other local charities and community projects such as the "Helping Hands Community Project" in Leamington Spa, which supports the homeless and victims of domestic abuse, and "Inspiring the Future", an educational charity aimed at connecting schools with inspirational volunteers.

## SUSTAINABLE SUPPLY CHAIN

With our aim to improve the social, environmental and economic impact of our operations, we are committed to building a responsible supply chain with our partners. Our policies and practices are designed to promote quality and maintain high standards of sustainable and ethical sourcing.

Through the Aston Martin Responsible Procurement Guide we have established a set of shared commitments with our suppliers, including our expectations around working conditions, human rights, regulatory compliance, safety, ethical and environmental commitments. Our supply chain management process enables us to work closely with our suppliers to ensure all requirements are understood and supported, with performance monitored and tracked.

The Company also has a policy to assess and address the risks of violations of anti-human trafficking and anti-modern slavery laws. We adopt procedures that contribute to ensuring modern slavery does not occur in our business or supply chain. Over the course of 2020 no human rights violations were reported within the Group or our wider supply network. A copy of our Modern Slavery Act Statement can be found on our website at [www.astonmartinlagonda.com](http://www.astonmartinlagonda.com).

## 2020 SUPPLIER BASE BY REGION

Africa	1.34%
Asia Pacific	0.01%
North America	1.05%
Europe	72.70%
UK	24.80%

## EXTERNAL ASSURANCE OF RESPONSIBILITY DISCLOSURES

ERM CVS has provided limited assurance over selected metrics in the "Responsibility" and "People" sections of the Annual Report, as indicated by the "<sup>^</sup>" Symbol. This is in accordance with the International Auditing and Assurance Standards Board's (ISAE3000 (Revised)) international standard. To see the ERM CVS assurance statement please visit [www.astonmartinlagonda.com](http://www.astonmartinlagonda.com).

# CHIEF FINANCIAL OFFICER'S STATEMENT



KENNETH GREGOR

IN 2020 THE BUSINESS HAD TO FACE THE CHALLENGES PRESENTED BY COVID-19, WHICH EXACERBATED THE FINANCIAL PRESSURE FROM THE DE-STOCKING OF DEALER INVENTORY. WE COMPLETED THE REFINANCING OF OUR BONDS IN OCTOBER ALONGSIDE A FURTHER EQUITY ISSUANCE AND THE ANNOUNCEMENT OF THE MERCEDES-BENZ AG STRATEGIC COOPERATION AGREEMENT. THROUGH THESE ACTIONS WE HAVE SECURED FINANCING TO DELIVER ON OUR GROWTH AMBITIONS AND MEDIUM-TERM PLAN.

2020 was a challenging year but we made good initial progress on the turnaround of the business. In a short amount of time, we have aggressively de-stocked GT/sport dealer inventory, with dealer GT/sport stock levels down to less than half their opening position at the start of 2020.

Wholesale volume was 42% lower in 2020 compared to the prior year due to the de-stocking and the impact of COVID-19. In addition, to achieve the retail sell-through to drive the stock reduction, retail and customer financing support remained at elevated levels. Together, these factors weighed heavily on revenues, which were down to £612m. Performance significantly improved in the fourth quarter when the DBX, the Company's first SUV, accounted for the majority of units sold.

Although the Company took actions on costs and received benefits from the furlough credit scheme in the UK, profitability was impacted by COVID-19 and the rebalancing of supply to demand. Adjusted EBITDA declined to £(70)m. Free cashflow of £(539)m included cash net financing costs of £80m; capital expenditure of £261m with investment focused on DBX, Vantage Roadster and Aston Martin Valkyrie; and a working capital outflow (£109m) principally relating to payables. Free cash outflow is expected to reduce significantly in 2021.

The Company took decisive action and completed a series of financial transactions through the year to strengthen its financial resilience and support its growth ambitions. In April, the Company completed a capital raise of £536m, including a £171m placing to the Yew Tree Consortium. The uncertainty surrounding the duration and impact of COVID-19, however, exacerbated the financial pressure of de-stocking the dealer network and the Company raised a further £152m of equity in June. In October, in parallel with the Mercedes-Benz AG Strategic Cooperation Agreement, a further £125m was raised. In total, £813m of gross equity proceeds were raised during the year.

Alongside the announcement of the Mercedes-Benz AG Strategic Cooperation Agreement and equity raise in October, we refinanced our senior notes, due to mature in April 2022. The new US\$ denominated senior notes comprise £840m equivalent first lien with a 10.5% coupon maturing in 2025 and £259m equivalent second lien with 15% mixed coupon split 8.9% cash and 6.1% PIK maturing in 2026. The second lien notes have detachable warrants representing 5% of diluted issued share capital. As a consequence of the transactions undertaken in 2020, our liquidity has significantly improved with £489m cash on the balance sheet at year-end (2019: £108m) and net debt reduced to £727m (2019: £988m). We will continue to prudently explore ways to further augment and diversify our liquidity pools, and build on our strengthened position and relationships today.

The Company is targeting revenue of c.£2bn and Adjusted EBITDA of c. £500m by financial years 2024/25, underpinned by the Mercedes-Benz AG Strategic Cooperation Agreement. Capital expenditure, principally development costs, is planned at £250m-£300m per annum and will be focused on areas that differentiate our products. We are targeting positive free cash flow (post financing costs) in 2023.

In summary, trading performance in 2020 was challenging but the Company underwent substantial changes to management, product, and balance sheet to position Aston Martin for success in the future. Following the actions taken this year, our focus will be on delivering against the medium-term plan with tighter cost controls and improved efficiency in capital investment to maximise shareholder value by executing on our goal to become a sustainably profitable world-class luxury automotive company.

**KENNETH GREGOR**  
CHIEF FINANCIAL OFFICER

24 FEBRUARY 2021

# GROUP FINANCIAL REVIEW

## FINANCIAL HIGHLIGHTS

- Retail<sup>1</sup> sales of 4,150 vehicles (down 32%) with COVID-19 impacting dealer operations; improved performance in Q4 with full quarter of DBX sales
- Wholesales<sup>2</sup> of 3,394 vehicles (down 42%) reflected action to reduce dealer stock levels and COVID-19 impact; Q4 included 1,171 DBX to meet customer demand and deliver dealer stock
- Revenue declined to £612m and adjusted EBITDA to £(70)m, principally due to reduced wholesales
- Q4 strongest quarter, material improvement versus Q3, with 3% revenue growth and positive adjusted EBITDA due to full quarter of DBX, 32 Specials (Q3: 10) and reduction in total customer and retail financing support

- Operating loss of £(323)m includes £98m of adjusting operating items, largely the impairment of capitalised R&D, due to technology and cycle plan changes
- Free cashflow<sup>3</sup> of £(539)m reflects the operating loss, a working capital outflow of £109m, capital expenditure of £261m and net interest paid of £80m; Q4 free cashflow £(26)m
- Refinancing to strengthen financial resilience and support growth ambitions resulted in increased year-end cash of £489m (2019: £108m) and net debt substantially lower at £(727)m (2019: £(988)m) with extended debt maturity profile to 2025 and 2026.

1. Dealer sales to customers (some Specials are direct to customer).  
 2. Company sales to dealers (some Specials are direct to customer).  
 3. Operating cashflow less capital investment and net cash interest.

## SALES AND REVENUE ANALYSIS

	31-Dec-20	31-Dec-19	Change
Number of vehicles			
<b>Retail</b>	<b>4,150</b>	6,136	(32%)
Core (excluding Specials)	4,112	5,999	(31%)
Number of vehicles			
<b>Wholesales</b>	<b>3,394</b>	5,862	(42%)
Core (excluding Specials)	3,351	5,798	(42%)
<b>By region:</b>			
UK	820	1,429	(43%)
Americas	923	2,050	(55%)
EMEA ex. UK	865	1,074	(19%)
APAC	786	1,309	(40%)
<b>By model:</b>			
Sports	691	2,250	(69%)
GT	1,116	3,384	(67%)
SUV	1,516	–	n.m.
Other	28	164	(83%)
Specials	43	64	(33%)

Note: Sports includes Vantage, GT includes DB11 and DBS Superleggera, SUV includes DBX and Other includes prior generation models such as Rapide AMR

Total retails were down 32% with dealer operations and customer demand impacted by COVID-19. Performance significantly improved in Q4 from Q3 but remained down on the prior year, with increased DBX deliveries and despite a second wave of lockdowns (Q4: (15%); Q3 (34%)).

Total wholesales decreased 42%. All regions declined, due to the plan to reduce dealer inventories, which was exacerbated by the COVID-19 pandemic. The Americas faced the greatest headwind, as the region started the year with the highest stock level, wholesales were down 55% year-on-year.

With GT/Sport retails significantly ahead of wholesales in unit terms, dealer inventory more than halved, reducing by 1,580 units. Having successfully achieved this rebalance, the Company no longer plans to report retail units in FY 2021, in line with luxury disclosure. The Company now expects to largely complete the de-stock in Q1 2021, ahead of its original expectations. Following a quality-led ramp-up in Q3, DBX volumes increased to 1,171 units in Q4 fulfilling customer orders and delivering fleet vehicles to dealers. In Q4, total wholesales were ahead of retails in unit terms as the dealer DBX orders were shipped.

The 43 Specials included 19 of the 25-unit run DB5 Goldfinger Continuations and 20 DBS GT Zagatos, which included a prototype model.

## GROUP FINANCIAL REVIEW CONTINUED

### REVENUE BY CATEGORY

£m	31-Dec-20	31-Dec-19 <sup>1</sup>	Change
Sale of vehicles	<b>535.1</b>	880.8	(39%)
Sale of parts	<b>56.6</b>	63.0	(10%)
Servicing of vehicles	<b>6.6</b>	9.3	(29%)
Brand and motorsport	<b>13.5</b>	27.4	(51%)
<b>Total</b>	<b>611.8</b>	980.5	(38%)

1. 2019 restated see note 2 of the Financial Statements for detail.

FY 2020 revenues declined to £612m as the Company reset GT/Sports car volumes, aligning supply to demand to regain exclusivity, and COVID-19 weighed on consumer confidence and retail demand. With increasing deliveries of DBX in Q4 performance improved and revenue increased year-on-year.

To achieve the necessary re-setting of dealer stock, customer and retail financing support was elevated. While the level of support per GT/Sport unit increased in Q4 versus Q3, fewer vehicles as a proportion received support with the start of DBX deliveries.

Wholesale average selling price (ASP) was impacted by the customer and retail financing support and the de-stocking dynamic, with retail significantly greater than wholesales for the year. However, in Q4 this impact was offset by product mix and reduced de-stock impact, with core ASP increasing to £145k (Q3: £130k; Q4 2019: £127k) and full year to £137k (2019: £132k<sup>1</sup>).

While fewer Specials were delivered year-on-year (43 vs 64 in 2019), they were on average higher priced and supported an increase in total ASP to £157k from £149k<sup>1</sup> in the prior year.

The decline in brand and motorsport revenue is due to lower GT race car sales, with 61 cars sold in the prior year and 19 this year. For 2021 motorsport revenues are expected to remain low.

### SUMMARY INCOME STATEMENT AND ANALYSIS

£m	31-Dec-20	31-Dec-19 <sup>1</sup>
<b>Revenue</b>	<b>611.8</b>	980.5
Cost of sales	(500.7)	(642.7)
<b>Gross profit</b>	<b>111.1</b>	337.8
Gross margin %	<b>18.2%</b>	34.5%
Operating expenses <sup>1,3</sup>	(336.0)	(328.7)
of which depreciation & amortisation <sup>2</sup>	<b>154.8</b>	128.8
Other expense	–	(19.0)
<b>Adjusted operating loss<sup>1,3</sup></b>	<b>(224.9)</b>	(9.9)
Adjusted operating margin	(36.8%)	(1.0%)
Adjusting operating items	(98.0)	(42.1)
<b>Operating loss</b>	<b>(322.9)</b>	(52.0)
Net financing expense	(143.1)	(67.6)
of which adjusting financing items	(68.6)	(6.6)
<b>Loss before tax</b>	<b>(466.0)</b>	(119.6)
Taxation	55.5	2.0
<b>Loss for the period</b>	<b>(410.5)</b>	(117.6)
<b>Adjusted EBITDA<sup>2,4</sup></b>	<b>(70.1)</b>	118.9
Adjusted EBITDA margin	(11.5%)	12.1%
<b>Adjusted loss before tax<sup>2,4</sup></b>	<b>(299.4)</b>	(70.9)
EPS (pence)	(543.0)	(290.6)
<b>Adjusted EPS (pence)<sup>2,4</sup></b>	<b>(369.9)</b>	(198.8)

1. 2019 restated see note 2 of the Financial Statements for detail.

2. Excludes adjusting items.

3. Includes (loss)/profit on disposal of fixed assets.

4. Alternative Performance Measures are defined in note 34.

The adjusted operating loss of £225m (2019: £10m loss) reflected:

- the flow through of the revenue reduction to gross margin;
- increased St Athan costs as facility ramped-up partially offset by planned cost efficiencies;
- a £13m benefit from furlough credits from the Government's Coronavirus Job Retention Scheme;
- higher depreciation and amortisation charges (up £27m year-on-year, as guided) principally due to start of DBX production;
- and a £15m FX headwind.

FY adjusted EBITDA was £(70)m. In Q4 profitability was significantly stronger compared with prior quarters, due to the first full quarter of DBX deliveries and Specials deliveries, adjusted EBITDA was £48m, representing a margin of 14%.

Adjusting operating items of £98m largely related to the impairment of capitalised development costs due to technology and cycle plan changes (£79m). Other adjusting operating items included restructuring costs (£12m) and £6m associated with the cessation of operating a team in the FIA World Endurance Championship.

Net adjusted financing costs of £75m were up from £61m in 2019 reflecting the \$150m of new notes issued in October 2019, interest on the \$68m notes from that issue drawn in June, and the first charges for the £1.1bn equivalent US\$ notes issued in October 2020 as part of the re-financing. The charge includes a £31m revaluation gain due to exchange rate movements given the US\$ denomination of the notes. Adjusted loss before tax was £(299)m (2019: £71m loss). Adjusting net financing charges of £69m were related to the re-financing completed in December 2020, resulting in a loss before tax of £466m (2019: £120m).

The tax credit on the adjusted loss before tax is £23m. The effective tax rate at 11.9% is lower than the 19% standard UK tax rate mainly due to a restriction on the amount of interest that the Group can deduct for tax purposes. Tax on adjusting items was recognised as appropriate and resulted in a tax credit of £33m, giving an overall tax credit to the Income Statement of £56m.

The total share count at 31 December 2020 was 115 million following a 20:1 share consolidation in mid-December. The shares outstanding reflects the issuance of shares associated with equity placings to the Yew Tree Consortium (March) and the issuance of tranche 1 shares to Mercedes-Benz AG under the terms of the Strategic Cooperation Agreement (December) in addition to April, June and December raises. The second lien notes issued in December have warrants attached which represent up to 5% of the diluted issued share capital once fully exercised. The weighted average number of shares in the period was 77.2 million giving an adjusted EPS of (369.9)p (2019<sup>1</sup>: (198.8)p).

1. 2019 restated see note 2 of the Financial Statements for detail.

#### CASH FLOW AND NET DEBT

£m	31-Dec-20	31-Dec-19
Cash generated from operating activities	(198.6)	19.4
Cash used in investing activities	(260.7)	(310.2)
Interest from financing activities	(80.0)	(47.0)
<b>Free Cash outflow</b>	<b>(539.3)</b>	<b>(337.8)</b>
Cash inflow from financing activities (excl. interest)	922.5	295.3
<b>Increase/(decrease) in net cash</b>	<b>383.2</b>	<b>(42.5)</b>
Effect of exchange rates on cash and cash equivalents	(1.7)	5.8
<b>Cash balance</b>	<b>489.4</b>	<b>107.9</b>

Net cash outflow from operating activities was £199m (2019: £19m inflow) including a net working capital outflow of £109m. A substantial payables outflow of £119m, largely in early Q2 following the completion of the initial equity raise, was the most significant contributor to the working capital outflow. Inventory increased to support the production of DBX at St Athan but this was broadly offset by reduced finished goods stock, resulting in a net inventory outflow of £5m. December deliveries were earlier in the month than in the prior year, resulting in a receivables inflow of £67m. With 43 Specials delivered and given the timing of future Special projects, the deposit balance reduced by £53m to £268m.

Capital expenditure was £261m, lower than the c.£270m guided with some re-phasing into 2021. Investment was focused on DBX, Vantage Roadster and Aston Martin Valkyrie.

Free cashflow<sup>1</sup> of £(539)m (2019: £(338)m). Q4 free cashflow of £(26)m shows reduced cash burn as wholesales normalise with full quarter of DBX, Specials deliveries and receivables inflow.

Cash inflow from financing (excluding interest) of £923m included proceeds from equity raises during the year and bond refinancing in December.

The net cash inflow of £383m resulted in a closing cash balance of £489m at 31 December 2020 significantly improved from £108m at 31 December 2019.

1. Operating cashflow less capital investment and net interest

£m	31-Dec-20	31-Dec-19
Borrowings	971.3	839.1
Inventory financing	38.2	38.9
Bank loans and overdrafts	113.5	114.8
Lease liabilities (IFRS 16)	103.0	111.4
<b>Gross debt</b>	<b>1,226.0</b>	<b>1,104.2</b>
Cash balance	489.4	107.9
Cash not available for short-term use	9.9	8.7
<b>Net debt</b>	<b>726.7</b>	<b>987.6</b>

Net debt at 31 December 2020 was down to £727m (31 December 2019: £988m) primarily due to the higher cash balance. The debt maturity profile was extended with the refinancing of US\$ notes of £1.1bn equivalent completed in December (First lien of £840m at 10.5% interest maturing in 2025; Second lien of £259m at 15.0% split interest (8.9% cash; 6.1% PIK) with detachable warrants maturing in 2026). Gross debt includes a £79m drawdown of the RCF and inventory financing remained broadly unchanged year-on-year at £38m supporting working capital requirements.

# RISK AND VIABILITY REPORT

## OUR APPROACH TO RISK

We manage risks in the pursuit of our strategic objectives using our Enterprise Risk Management Framework and System (ERMFS) which provides the Executive Committee, Board and the Audit and Risk Committee with a robust assessment of our principal risks. The Board is ultimately responsible for oversight of our risk management and internal control systems and determines our risk appetite.

The Audit and Risk Committee has been delegated responsibility for monitoring the effectiveness of the Group's risk management and internal control systems which it does by directing and reviewing the work of executive management and the key governance functions within the Group, including the Internal Audit and Risk Management team and the Risk Management Committee. The Chair of the Audit and Risk Committee updates the Board on the Committee's activities in this regard as appropriate.

Our Internal Audit and Risk Management team maintains the ERMFS and co-ordinates risk management activities across the Group. All principal risks have risk mitigation plans incorporating management's assessments of gross, net and target risk and the effectiveness of mitigating controls and activities. These plans are updated routinely throughout the year with any changes being incorporated into the Corporate Risk Register.

The key elements and activities supporting the ERMFS include:

- Annual review and approval of the ERMFS and Risk Management Policy;
- Twice yearly review of all principal risks to assess the gross, target and net risks for potential impact and likelihood;
- Maintenance of corporate and functional risk registers;
- Undertaking top-down/bottom-up risk assessments; and
- Creating formal risk mitigation plans.

Internal Audit provide independent and objective assurance over the effectiveness of these risk mitigation plans to the Audit and Risk Committee (see Control Environment on page 60).

The Director of Internal Audit and Risk Management reports administratively to the Chief Financial Officer with an independent reporting line to the Chair of the Audit and Risk Committee.

The most significant changes to the Group's principal risks in the year were:

- INSUFFICIENT LIQUIDITY – Risk reducing following the successful capital raises and refinancing of the Senior Secured Notes in the period.
- COMPETITIVE POSITIONING – Risk reducing following the completion of the Strategic Cooperation Agreement with Mercedes-Benz AG and the successful launch of the DBX.
- PROGRAMME DELIVERY – Risk reducing as a result of the successful commissioning of the St Athan facility and commencement of DBX production.
- ACHIEVING TARGET COST REDUCTIONS – Added as a new principal risk. The Group's ability to achieve targeted cost reductions (e.g. material cost, fixed and variable marketing, fixed manufacturing) may be inhibited by the Group's low volume strategy to maintain exclusivity and luxury positioning.
- MACRO-ECONOMIC AND POLITICAL INSTABILITY – Impact has reduced as the 2021 budget and business plan have been created after consideration of the recent macro-economic impacts of key factors such as Brexit and COVID-19.
- SUPPLY CHAIN DISRUPTION – Risk reducing due to the measures the Group has deployed in response to managing its risk suppliers, critical suppliers and Brexit. These include planning for alternative ports of entry for imports and increasing inventory levels for critical parts.

The emergence of the COVID-19 pandemic in Q1 2020 had a significant impact on the business with the temporary closure of our dealerships and factories. In response to this the Company reassessed each of its principal risks in light of the pandemic and established a COVID-19 Task Force, comprising senior management from each function, to manage the specific risks associated with the pandemic. Key activities included undertaking COVID-19 specific risk assessments, promoting and facilitating safe and secure remote working, creating Return to Work Guidelines and deploying social distancing measures in accordance with government guidelines for our operational sites. This Task Force remains in place and continues to prioritise the safeguarding and wellbeing of our employees, contractors, suppliers, customers and their families. Furthermore, each of the principal risks has been re-assessed to specifically consider the impact of COVID-19.

## RISK APPETITE

The Board determines the amount of risk the Group is willing to accept in pursuit of the Group's strategic objectives. This varies dependent on the type of risk and may change over time. In exploring risks and opportunities, we prioritise the interests and safety of our customers and employees and seek to protect the long-term value and reputation of the brand, while maximising commercial benefits to support responsible and sustained growth.

## OUR PRINCIPAL RISKS

Our risk management system is designed to identify a broad range of risks and uncertainties which could adversely impact the profitability or prospects of the Group. Our principal risks

are those which could have the most significant effect on the achievement of our strategic objectives, our financial performance and our long-term sustainability.

The following pages set out the Group's principal risks, how these risks are linked to our strategy and the primary mitigating actions implemented for each risk during the year ended 31 December 2020. Our principal risks change over time as some risks assume greater importance and others may become less significant.

We categorise principal risks within one of the following four areas: Strategic, Operational, Compliance and Financial, and link each risk to one or more of the key strategies that underpin our business plan.

## RISK MANAGEMENT GOVERNANCE WITHIN THE GROUP

### BOARD OF DIRECTORS AND AUDIT AND RISK COMMITTEE

- The Board has ultimate responsibility for establishing a framework of prudent and effective controls which enable risk to be assessed and managed.
- Determination of risk appetite.
- Review effectiveness of risk mitigation plans and assurance activity.
- Monitor status of risk management activity and reporting.
- The Board has delegated oversight of the ERMFS to the Audit and Risk Committee.

### RISK MANAGEMENT COMMITTEE

- Identifies new and emerging risks.
- Performs deep dive reviews of risk mitigation plans.
- Meets quarterly and reports to the Audit and Risk Committee.
- Representation from all functions across the business.
- Ensures risks are managed in accordance with the defined risk appetite.
- Champions effective risk management and control across the Group.

### INTERNAL AUDIT AND RISK MANAGEMENT TEAM

- Co-ordinates deployment of the ERMFS.
- Maintains Corporate Risk Register.
- Prepares Board, Audit and Risk Committee and Risk Management Committee status updates.
- Provides resources and training to support risk management activities.
- Evaluates the design and operating effectiveness of risk mitigation plans.

### FUNCTIONAL RISK CHAMPIONS AND RISK OWNERS

- Responsible for risk management at a functional level.
- Maintain functional risk registers and manage risk mitigation plans.
- Champion adherence to ERMFS principles and guidance within their function.

# PRINCIPAL RISK SUMMARY

Principal risk	Risk movement	Link to strategy	Risk tolerance	Potential causes	Mitigating activities
<b>STRATEGIC RISKS</b>					
<b>Macro-economic and political instability</b> Exposure to multiple political and economic factors could impact customer demand or affect the markets in which we operate.	▼	● ● ●	Moderate	<ul style="list-style-type: none"> <li>Global economic slowdown due to COVID-19.</li> <li>Unfavourable movement in exchange rates.</li> <li>Adverse economic global conditions could adversely impact our dealer network or supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>Operational and financial review of the business undertaken to align to the new business plan.</li> <li>Monitoring global market trends to target areas for future growth.</li> <li>Volume planning actions to optimise dealer network stock levels.</li> </ul>
<b>Competitive positioning</b> Maintaining our competitiveness in the high luxury segment car market is critical to achieving our strategic growth objectives.	▼	● ● ●	Low	<ul style="list-style-type: none"> <li>Failure to maintain leading design which customers value.</li> <li>Inability to produce cars that are competitive in terms of performance, aesthetics and quality.</li> <li>Competitor pricing activity resulting in the need to increase retail and customer financing expenditure to support retail sales.</li> </ul>	<ul style="list-style-type: none"> <li>Expanding product portfolio to produce incremental new core models.</li> <li>Maintain a regular pipeline of Special Editions and offer fully bespoke customisation offer through the 'Q' division.</li> <li>Strategic Cooperation Agreement with Mercedes-Benz AG to provide access to advanced technologies.</li> </ul>
<b>Brand/Reputational damage</b> Our brand and reputation are critical in securing demand for our vehicles and in developing additional revenue streams.	◆	● ● ●	Low	<ul style="list-style-type: none"> <li>Product recall or late delivery could impact customer confidence and loyalty.</li> <li>Dealer network may not be effective in raising, maintaining and promoting brand awareness.</li> <li>Inadequate dealer training in new products and technologies could impair the customer experience.</li> </ul>	<ul style="list-style-type: none"> <li>Standardised embedded quality procedures (e.g. Customer Perception Audit, Parts Approval Process) to maintain focus on vehicle quality.</li> <li>Customer satisfaction audits and assessments performed and monitored by the Client Services Team.</li> <li>Expanded dealer network and improved training to ensure delivery of a luxury customer experience.</li> </ul>
<b>Technological advancement</b> It is essential to maintain pace with technological development to meet evolving customer expectations and remain competitive.	◆	● ● ●	Low	<ul style="list-style-type: none"> <li>Reliance on third parties to support development of new and emerging technologies.</li> <li>Competitors may have better access to funding to develop new technology faster and be first to market.</li> <li>Changing and more stringent regulations may make current technology obsolete and increase the risk of future non-compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Strategic arrangements with key partners, including the Strategic Cooperation Agreement with Mercedes-Benz AG, to provide powertrain, electrical architecture and entertainment systems.</li> <li>Commodity strategy plans developed.</li> <li>Development of modular architecture "Carry Over – Carry Across" approach for key systems and components.</li> </ul>

- Core product offering: three pillar strategy
- Control volume growth and personalisation
- Develop Specials pipeline
- Enhance strategic partnerships
- Cost and investment control

## RISK AND VIABILITY REPORT CONTINUED

Principal risk	Risk movement	Link to strategy	Risk tolerance	Potential causes	Mitigating activities
<b>OPERATIONAL RISKS</b>					
<b>Talent acquisition and retention</b> We may fail to retain, engage and develop a productive workforce and to develop key talent.			Low – Moderate	<ul style="list-style-type: none"> <li>Failure to build the right capabilities and behaviours in our leadership team.</li> <li>Key contractors leaving the business and the impact of IR35 on our contractor population.</li> <li>Failure to engage or equip our teams to deliver our strategy or address key capability gaps.</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration Committee oversight of senior leadership remuneration to ensure it is aligned to the strategy and appropriate for staff retention.</li> <li>Regular review of talent and resource risks leveraging succession plans and employee engagement survey results.</li> <li>Benchmarking of remuneration and bonus packages to drive employee performance and behaviours.</li> </ul>
<b>Programme delivery</b> Failure to implement major programmes on time, within budget and to the right technical specification could jeopardise delivery of our strategy and have significant adverse financial and reputational consequences.			Low	<ul style="list-style-type: none"> <li>Insufficient funds to support programme investment requirements.</li> <li>Inability to manage third-party delivery in line with programme timelines and milestones.</li> <li>COVID-19 related issues may impact our ability to conduct testing or engineering development within required timescales.</li> </ul>	<ul style="list-style-type: none"> <li>Deployment of an established Programme Delivery Methodology (Mission 1.3) and regular Executive Committee status reporting and oversight.</li> <li>Restructure of the business including engineering and project management functions.</li> <li>Focus on increased levels of "Carry Over – Carry Across" to leverage existing core architecture across multiple applications to expedite delivery.</li> </ul>
<b>Achieving target cost reductions</b> The Group's size and low volume strategy may inhibit its ability to deliver targeted cost reductions, or work within budget constraints whilst delivering the planned vehicle programme.	New		Low	<ul style="list-style-type: none"> <li>High levels of complexity across car lines can drive increased engineering requirements with associated increased resource and cash requirements.</li> <li>Increasing material costs.</li> <li>Inertia to new ways of working may inhibit our ability to deliver against agreed targets and budgets.</li> </ul>	<ul style="list-style-type: none"> <li>CFT transformation activity to agree a cost target process with regular CEO led cost reviews.</li> <li>Restructuring of the Engineering and Procurement functions to align accountability and operational procedures.</li> <li>Establishment of bi-monthly cost and cash focused Executive Committee meetings.</li> </ul>
<b>Cyber security and IT resilience</b> Breach of cyber security could result in a system outage, impacting core operations and/or result in a major data loss leading to reputational damage and financial loss.			Low	<ul style="list-style-type: none"> <li>Cyber attack resulting in denial of service, loss of data or other business disruption.</li> <li>Legacy systems reaching end of life may no longer be supported and become more susceptible to failure of breach.</li> <li>Insufficient investment in systems and resource may result in control deficiencies or vulnerabilities not being addressed in a timely manner.</li> </ul>	<ul style="list-style-type: none"> <li>Project initiated to implement a new ERP system to transition away from end of life legacy systems and drive efficiency within the IT infrastructure.</li> <li>Enhanced IT general controls for access management, perimeter security, remote access (e.g. multi-factor authentication) and password management.</li> <li>24/7 vulnerability monitoring using Darktrace and security incident response procedures.</li> </ul>
<b>Supply chain disruption</b> Supply chain disruption could result in production stoppages, delays, quality issues and/or increased costs.			Low	<ul style="list-style-type: none"> <li>Suppliers may be unable to meet delivery schedules due to being in financial distress.</li> <li>COVID-19 enforced closures, or customs clearance procedures impacted post Brexit, could result in disruption to delivery schedules.</li> <li>Deterioration in the Group's credit rating may lead to supply restrictions or more stringent terms and conditions.</li> </ul>	<ul style="list-style-type: none"> <li>Critical supply risk assessments performed to identify where additional stock holding or alternative sources of supply may be required.</li> <li>QCDDM supplier performance metrics being developed to manage under-performance within the supply base.</li> <li>Supplier financial strength and performance assessments undertaken prior to engagement.</li> </ul>

Principal risk	Risk movement	Link to strategy	Risk tolerance	Potential causes	Mitigating activities
<strong>OPERATIONAL RISKS</strong>					
<strong>Brexit uncertainty</strong> Delays in customs processing and the interpretation and implementation of the trade deal with the EU could impact the Group's financial position, supply chain and people.			Low	<ul style="list-style-type: none"> <li>Additional costs associated with increased customs duty and tariffs.</li> <li>Extended supply lead times leading to increased working capital investment requirements.</li> <li>Exchange and interest rate volatility impacting Group revenues, profits and cash flows.</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of Brexit Steering Committee with regular reporting to the Executive Committee.</li> <li>Consistent regular engagement by the Group with UK and EU Government and Trade Bodies.</li> <li>Steps taken to prepare the supply chain and dealer network for various Brexit scenarios.</li> </ul>
<strong>COMPLIANCE RISKS</strong>					
<strong>Compliance with laws and regulations</strong> Non-compliance with local laws or regulations may damage our corporate reputation and subject the Group to significant financial penalties.			Zero	<ul style="list-style-type: none"> <li>Non-compliance with emissions regulations could inhibit our ability to trade in certain markets.</li> <li>Non-compliance with labour, human rights and environmental standards could result in financial penalty and/or brand / reputational damage.</li> <li>Rapidly evolving climate and environmental regulations could result in areas of non-compliance where not addressed in a timely manner.</li> </ul>	<ul style="list-style-type: none"> <li>Vehicle safety certification achieved for all markets and "Small Volume" Derogation status for EU emissions compliance.</li> <li>Standards of Corporate Conduct define our activities in relation to key compliance areas (e.g. anti-bribery and corruption, whistleblowing, data protection, equality and diversity, business ethics).</li> <li>In-house legal and compliance team that manages ongoing investigations.</li> <li>Enhanced GDPR and IT General Controls.</li> </ul>
<strong>FINANCIAL RISKS</strong>					
<strong>Insufficient liquidity</strong> The Group may not be able to generate sufficient cash to fund its capital expenditure and debt or sustain its operations.			Low	<ul style="list-style-type: none"> <li>Significant leverage levels may inhibit our ability to raise additional capital.</li> <li>COVID-19 impact could result in reduced demand and a reduction in available cash to support the product development plan.</li> <li>Significant debt servicing requirements reduces cash available to support other operational needs.</li> </ul>	<ul style="list-style-type: none"> <li>Raising of additional capital through equity issue and refinancing activity.</li> <li>Daily management review of cash balances and establishment of bi-monthly Executive Committee focusing on cash and cost performance.</li> <li>Ongoing transformation activity to deliver targeted cost savings and efficiencies.</li> </ul>
<strong>Impairment of capitalised development costs</strong> The value of capitalised development costs continues to grow as we expand our product portfolio.			Zero	<ul style="list-style-type: none"> <li>Vehicle sales volumes fall below lifecycle plans and targets as a result of the impact of COVID-19 or other macro-economic factors.</li> <li>Vehicle pricing and contribution reduce to levels which no longer support the carrying value of the attributable capitalised costs.</li> <li>Uncertainty of "Carry Over – Carry Across" utilisation on future vehicle models and derivatives.</li> </ul>	<ul style="list-style-type: none"> <li>Capitalisation policy and procedures reviewed annually.</li> <li>Impairment reviews performed where triggering events have been identified.</li> <li>Regular vehicle line reviews undertaken to monitor sales volume and contribution performance for all car lines with any concerns communicated to finance for consideration of potential impairment.</li> </ul>

# RISK MANAGEMENT ACTIVITIES IN 2020 AND PLANS FOR 2021

THE BOARD AND THE AUDIT AND RISK COMMITTEE UNDERTOOK A NUMBER OF RISK MANAGEMENT ACTIVITIES DURING THE PERIOD AS SET OUT BELOW.

## IDENTIFICATION OF RISKS

We identify and manage risk using a top-down bottom-up approach.

- Top-down – Identification, assessment, prioritisation, mitigation, monitoring and reporting of risk at a corporate level. Overseen by the Audit and Risk Committee and the Management Risk Committee.
- Bottom-up – Identification, assessment, prioritisation, mitigation and monitoring of risk across all operational and functional areas.

During the period, the key risks identified in the corporate and functional risk registers have been maintained and updated to reflect changes in the business and the external environment. These continue to be regularly reviewed within the Risk Management Committee. The updated corporate risk register is continually reviewed and formally re-evaluated at the half year and full year to identify any changes required to the disclosed principal risks. These changes and the summary of principal risks are then presented to the Audit and Risk Committee for review and approval.

## RISK MANAGEMENT SYSTEM

The Aston Martin Enterprise Risk Management Framework and System continues to be deployed across the Group. This was subject to an annual review and was subsequently presented to, and approved by, the Executive Committee and the Audit and Risk Committee. The Risk Management Committee met three times during 2020.

## RISK APPETITE

The Group's risk appetite and tolerance levels were considered and approved by the Board and are reviewed annually. These are used to set tolerance limits and target risks for each of the principal risks and refine mitigation plans where appropriate.

## MANAGEMENT ACTIONS AND DEEP DIVES

The Internal Audit and Risk Management team incorporates independent validation reviews of the principal risk mitigation plans within its annual Audit Plan, the purpose being to provide independent assurance to management, the Audit and Risk Committee and the Board on the effectiveness of management actions to mitigate risks.

Our Internal Audit and Risk Management team works with functional Risk Champions to maintain formal risk mitigation plans to clearly articulate the nature and extent of the principal risks and their associated mitigating actions. These are used to provide the Board and Audit and Risk Committee with management self-assessments on the effectiveness of risk mitigation plans and activities.

During 2020 the following key risk management activities have been undertaken:

- Three Risk Management Committees with deep dive risk reviews covering:
  - Impact of COVID-19 and the business response plans;
  - Impact of incoming Cyber-security Management System legislation for automotive Original Equipment Manufacturers; and
  - Business continuity plans.
- Establishment of the COVID-19 Task Force, with senior management representation from all functions, to undertake COVID-19 risk assessments and implement appropriate mitigating activities to manage the Group's response to the pandemic.
- Twice yearly formal validation and approval of corporate and functional risk registers.
- Annual review of Enterprise Risk Management Framework and System.
- Executive Committee review and agreement of the Group's principal and emerging risks.

The following principal risk reviews have been included within the 2021 Internal Audit plan:

- Brand/Reputational damage arising from poor quality;
- Inability to incorporate automotive technological advancement;
- Inability to deliver major programmes; and
- Inadequate protection against cyber attack.

# VIABILITY STATEMENT

## VIABILITY STATEMENT

The Directors have carried out a robust review of the principal risks of the Group, which are set out on pages 35 to 37, identifying the nature and potential impact of those risks on the viability of the Group, together with the likelihood of them materialising.

This analysis has then been used to carry out an assessment of the ability of the Group to continue in operation and meet its obligations. The assessment covers the five-year period from January 2021 to December 2025. This was considered appropriate by the Directors because it aligns with the new business plan, the Group's normal planning horizon and is indicative of the investment and development cycle of new products in the luxury car market. Inevitably, the degree of certainty decreases over this period.

The assessment process consisted of stress testing the base case in the business plan for scenarios designed to reflect the potential impact of the principal risks materialising in a compound scenario, including the following:

- The impact of a four-week loss of production due to a lockdown or other severe impact of COVID-19
- A severe but plausible reduction in sales volumes as a result of factors such as a material reduction in the size of the High Luxury Sports car market due to external factors (such as a decrease in demand from High Net Worth Individuals (HNWIs), increased direct and indirect taxation and changes in consumer habits away from luxury vehicles)
- Incremental fixed and variable costs
- Incremental working capital requirements such as reduced deposit inflows or increased deposit outflows
- The impact of strengthening £:\$ exchange rates

In the event of one or more risks occurring which has a particularly severe effect on the Group, the assessment assumed that all appropriate actions would be taken in a timely manner by management to mitigate as far as possible the impact of risks. Potential mitigating actions include constraining capital spending, seeking additional funding and/or a number of other adjustments to operations in the normal course of business.

In all scenarios, it is assumed that any borrowings that mature in the review period will be renewed or replaced with facilities of similar size. The projections show that, even in stressed conditions, the Group should be able to refinance these facilities on commercially acceptable terms, assuming that debt markets continue to operate as currently.

In addition, we have assumed that no additional legislative action will be taken that impacts the sale of our products within the viability statement time frame.

The Directors have assessed the viability of the Group over the five-year period to 31 December 2025 and, based on this assessment and the assumptions stated above, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2025.

# CORPORATE GOVERNANCE

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# BOARD OF DIRECTORS

## LAWRENCE STROLL EXECUTIVE CHAIRMAN

Appointed Executive Chairman with effect from 20 April 2020.

### COMMITTEES

Nomination Committee (Chair)  
Remuneration Committee (observer)

### OTHER SIGNIFICANT POSITIONS

- Member of Yew Tree Consortium
- Co-owner of BWT Racing Point F1™ team rebranded as the Aston Martin Cognizant F1™ team in 2021
- Owner of Circuit Mont-Tremblant

### PAST ROLES

Mr Stroll has a long career of acquiring and building luxury brands such as Ralph Lauren, Michael Kors and Asprey and Garrard.

### RELEVANT EXPERIENCE

Mr Stroll led the IPO of Michael Kors which went on to enjoy further strong growth as a publicly listed company. Mr. Stroll has also been for many years an active investor in the automotive and motorsports sectors, including the acquisition of the former BWT Racing Point F1™ team (rebranded as the Aston Martin Cognizant F1™ team in 2021).

## TOBIAS MOERS CHIEF EXECUTIVE OFFICER

Appointed Chief Executive Officer with effect from 1 August 2020.

### COMMITTEES

None

### OTHER SIGNIFICANT APPOINTMENTS

None

### PAST ROLES

Mr Moers spent 25 years in senior roles at Daimler AG, including most recently Chairman of the Management Board and Chief Executive Officer and Acting Chief Technical Officer of Mercedes-AMG GmbH.

### RELEVANT EXPERIENCE

Mr Moers' focus on operating and portfolio expansion and cross company efficiency delivered significant margin expansion to Mercedes-AMG. He led Mercedes-AMG's profitable product expansion over seven years, with a clear pipeline of further expansion opportunities, in particular in electrification of powertrains in the performance segment.

## KENNETH GREGOR CHIEF FINANCIAL OFFICER

Appointed Chief Financial Officer with effect from 22 June 2020.

### COMMITTEES

None

### OTHER SIGNIFICANT APPOINTMENTS

None

### PAST ROLES

Mr Gregor spent 20 years in senior financial roles at Jaguar Land Rover most latterly as Chief Financial Officer.

### RELEVANT EXPERIENCE

Mr Gregor has a strong leadership track record, with more than 20 years of automotive experience. As CFO of Jaguar Land Rover for 11 years from 2008, he oversaw the evolution of the finance group into a strong business partner to support the delivery of shareholder value and the company's growth ambitions. Prior to Jaguar Land Rover, he worked in investment banking for HSBC.

## ANTONY SHERIFF SENIOR INDEPENDENT DIRECTOR

Appointed to the Board with effect from 1 February 2021.

### COMMITTEES

Audit and Risk Committee  
Nomination Committee  
Remuneration Committee

### OTHER SIGNIFICANT APPOINTMENTS

- Princess Yachts Limited (Executive Chair and CEO)
- Rivian Automotive Inc. (independent director, Chair of Nomination and Remuneration Committee)
- Pininfarina S.p.A. (independent director)
- Rimac Automobili d.o.o. (Board adviser)
- Aeromobil s.r.o (Board adviser)

### PAST ROLES

- McLaren (CEO/MD)
- Fiat Auto A.p.A
- McKinsey & Company

### RELEVANT EXPERIENCE

Mr Sheriff is an experienced automotive and luxury sector executive with a strong leadership track record at both Princess Yachts Limited and McLaren, where he created and built the sports car business. His executive experience and skillset span product development, marketing, and business strategy.

## BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE CONTINUED

### LORD MATTHEW CARRINGTON INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board with effect from 8 October 2018.

#### COMMITTEES

Audit and Risk Committee

Nomination Committee

Remuneration Committee (Chair)

#### OTHER SIGNIFICANT APPOINTMENTS

- Arab British Chamber of Commerce (non-executive director)
- CarringtonCrisp Ltd (non-executive director)

#### PAST ROLES

- Saudi International Bank (senior management positions)
- Outdoor Advertising Association (Executive Chairman)
- Retail Motor Industry Federation (Chief Executive)
- Gatehouse Bank plc (Chairman)

#### RELEVANT EXPERIENCE

Lord Carrington has extensive experience in international business and UK public service roles, including having been the Member of Parliament for Fulham. He has a thorough understanding of the Middle East market and, as former Chief Executive of the Retail Motor Industry Federation, of the automotive industry.

### PETER ESPENHAHN INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board with effect from 8 October 2018.

#### COMMITTEES

Audit and Risk Committee (Chair)

Nomination Committee

Remuneration Committee

#### OTHER SIGNIFICANT APPOINTMENTS

None

#### PAST ROLES

- Morgan Grenfell /Deutsche Bank (senior leadership roles)
- Deloitte, Plender, Griffiths & Co (audit, tax and investigation roles)
- Telspec plc (chair, formerly non-executive director)

#### RELEVANT EXPERIENCE

Mr Espenhahn started his career at Deloitte, Plender, Griffiths & Co before holding various senior corporate finance and investment banking roles at Morgan Grenfell/ Deutsche Morgan Grenfell. He has a good understanding of the UK-listed company environment.

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### ROBIN FREESTONE INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board with effect from 1 February 2021.

#### COMMITTEES

Audit and Risk Committee

Nomination Committee

Remuneration Committee

#### OTHER SIGNIFICANT APPOINTMENTS

- Moneysupermarket.com (Chair)
- Smith & Nephew plc (Senior Independent Director)
- Capri Holdings Ltd (Audit Committee Chair)
- ICAEW's Corporate Governance Committee (Chair)

#### PAST ROLES

- Cable & Wireless (Senior Independent Director and Audit Committee Chair)
- Pearson plc (Chief Financial Officer)
- Amersham plc (senior financial positions)
- Henkel Limited (senior financial positions)
- ICI

#### RELEVANT EXPERIENCE

Mr Freestone is a qualified chartered accountant and has significant financial, transformation and diversification experience within leading global businesses which are listed in the UK.

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### PROFESSOR RICHARD PARRY-JONES, CBE INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board with effect from 1 February 2021.

#### COMMITTEES

Audit and Risk Committee

Nomination Committee

Remuneration Committee

#### OTHER SIGNIFICANT APPOINTMENTS

- Marshall Motor Holdings plc (Chair)

#### PAST ROLES

- GKN plc (Senior Independent Director)
- Network Rail (Chair)
- Yorkshire Water (Chair)
- Ford Motor Company (various executive roles, latterly as Group Vice-President Global Product Development and Group Chief Technical Officer)

#### RELEVANT EXPERIENCE

Professor Parry-Jones has extensive experience of the automotive industry, having previously worked for the Ford Motor Company for 38 years. He has significant experience of the UK-listed company environment, having served on the board of GKN plc from 2008 to 2018 and on the board of Marshall Motor Holdings plc since 2019.

## DR ANNE STEVENS

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board with effect from 1 February 2021.

### COMMITTEES

Audit and Risk Committee

Nomination Committee

Remuneration Committee

### OTHER SIGNIFICANT APPOINTMENTS

- Anglo American plc (Remuneration Committee chair)

### PAST ROLES

- GKN plc (non-executive director and Interim CEO)
- SA IT Services (chairman and CEO)
- Carpenter Technology Corporation (chairman and CEO)
- Lockheed Martin Corporation (non-executive director)
- Ford Motor Company (COO for the Americas)

### RELEVANT EXPERIENCE

Dr Stevens has significant operational, commercial and transformational experience in global businesses. She held a number of positions during her 16-year tenure at the Ford Motor Company, culminating in COO for the Americas. Her early career was at Exxon Corporation, where she held roles in engineering, product development, and sales and marketing.

## MICHAEL DE PICCIOTTO

NON-EXECUTIVE DIRECTOR

Appointed to the Board with effect from 24 April 2020.

### COMMITTEES

Audit and Risk Committee (observer)

### OTHER SIGNIFICANT APPOINTMENTS

- Engel & Völkers AG (vice-Chairman of the Supervisory Board)
- St James Invest SA
- L.T.E.V.

### PAST ROLES

- Union Bancaire Privée (leadership and financial management positions)
- RBC Dominion Securities (leadership and financial management positions)

### RELEVANT EXPERIENCE

Mr de Picciotto has extensive experience in asset management, private banking and trading. During his 27-year tenure at Union Bancaire Privée, he ran several divisions, including the High Net Worth, Trading and Treasury, the London branch and the Asian chapter.

## STEPHAN UNGER

NON-EXECUTIVE DIRECTOR

Appointed to the Board with effect from 1 February 2021.

### COMMITTEES

Audit and Risk Committee (observer)

Nomination Committee (member)

Remuneration Committee (observer)

### OTHER SIGNIFICANT APPOINTMENTS

- Daimler Mobility AG (Member of the Board of Management and Chief Financial Officer)

### PAST ROLES

- Daimler Group (Director of Corporate Controlling)
- Mercedes-AMG GmbH (Commercial Director)
- Mitsubishi Motors Corporation in Japan (when part of Daimler) (Controlling & Accounting division)

### RELEVANT EXPERIENCE

An accountant, Mr Unger has held various positions in finance and risk management in his career to date. He joined the Daimler Group in 1993 and has a deep understanding of the global automotive industry. In his current role of CFO of Daimler Mobility AG, he also promotes the company's transformation into an integrated, digitised financial services provider through strategic partnerships and investments in start-ups.

## BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE CONTINUED

### BOARD CHANGES DURING 2020 TO DATE

Name	Date of appointment	Date of cessation
Lawrence Stroll	20 April 2020	
Tobias Moers	1 August 2020	
Kenneth Gregor	22 June 2020	
Michael de Picciotto	24 April 2020	
Anne Stevens	1 February 2021	
Robin Freestone	1 February 2021	
Richard Parry-Jones	1 February 2021	
Antony Sheriff	1 February 2021	
Stephan Unger	1 February 2021	
Penny Hughes	20 April 2020	
Dr. Andy Palmer	25 May 2020	
Mark Wilson	30 April 2020	
Richard Solomons	23 May 2020	
Mahmoud Samy Mohamed Aly El Sayed		12 November 2020
Dante Razzano	20 April 2020	
Peter Rogers	28 January 2020	
Imelda Walsh	23 May 2020	
Professor Tensie Whelan		23 May 2020
William Tame	3 June 2020	27 January 2021
Amr AbouelSeoud		18 February 2021

Lord Matthew Carrington and Peter Espenhahn will not seek re-election at the Company's Annual General Meeting ("AGM") and will step down from the Board at the close of the meeting.

### EXECUTIVE COMMITTEE

Tobias Moers	(Chief Executive Officer)
Kenneth Gregor	(Chief Financial Officer)
Marek Reichman	(Chief Creative Officer)
Michael Straughan	(Chief Operating Officer)
Michael Marecki	(General Counsel)

# EXECUTIVE CHAIRMAN'S INTRODUCTION TO GOVERNANCE



**LAWRENCE STROLL**  
EXECUTIVE CHAIRMAN

THIS HAS BEEN A TRANSFORMATIONAL YEAR FOR THE COMPANY WITH BOARD FOCUS ON LEADERSHIP CHANGE AND ACTIONS TO STRENGTHEN THE FINANCIAL RESILIENCE OF THE BUSINESS AGAINST A DIFFICULT EXTERNAL ENVIRONMENT.

I took up the role of Executive Chairman on 20 April following the significant investment in the Company by my Yew Tree Consortium and a rights issue. My first priority along with that of the Board, was to strengthen executive management and to commence actions to strengthen the financial resilience of the Company. Also, to support management actions to launch the DBX, aggressively de-stock the dealer network to rebalance supply to demand and to take action on costs, all against the significant challenges presented by COVID-19.

We have appointed a world-class leadership team with Tobias Moers, formerly the CEO and acting Chief Technical Officer at Mercedes-Benz AMG, who joined as Chief Executive Officer in August and Kenneth Gregor, former CFO of Jaguar Land Rover, who joined as Chief Financial Officer in June. Together, with Marek Reichman our long-standing, award winning Chief Creative Officer, they have already made great strides in transforming the Company and assembling a strong leadership team.

Significant effort and Board activity during the year were focused on the new business plan and actions to complete our capital raise and refinancing plans, along with the Strategic Cooperation Agreement with Mercedes-Benz AG which is critical to supporting our long-term product expansion plans.

It has also been a time of significant change for the Board. With the planned stepping down of independent Non-Executive Directors Richard Solomons, Imelda Walsh and Tensie Whelan in May, the Board had commenced an independent Non-Executive Director search with the aim of identifying candidates with the skills and experience of the automotive or luxury sectors to support the Company in its future ambitions as well as to meet our aims relating to the UK Corporate Governance Code ("Code") compliance and diversity. As a result, we announced in January 2021 the appointment of independent Non-Executive Directors Anne Stevens, Robin Freestone, Richard Parry-Jones and Antony Sheriff. We also announced the appointment of Non-Executive Director Stephan Unger, the representative director for Mercedes-Benz AG. Peter Espenhahn and Lord Matthew Carrington have decided to step down from the Board at the close of our Annual General Meeting and William (Bill) Tame stepped down on 27 January 2021. I would like to thank Peter, Matthew and Bill for their significant contributions and support to the Board. I would also like to thank former Chair Penny Hughes and Richard, Imelda and Tensie for their efforts as well as representative Directors Dante Razzano and Mahmoud Samy Mohamed Aly El Sayed who stepped down during the year and Amr AbouelSeoud who stepped down on 18 February 2021.

The Board and Committees are now compliant with the Code and the Board plans to continue to focus on its composition to continue to improve our diversity, which is important.

I would like to thank Board members for their significant efforts and flexibility during what has been an unusual and very busy year. I would also like to thank our shareholders, employees, customers and business colleagues for your continued support.

Yours sincerely,

**LAWRENCE STROLL**  
EXECUTIVE CHAIRMAN

24 FEBRUARY 2021

# GOVERNANCE REPORT

## OVERVIEW

This Report sets out the Board's corporate governance structures and work from 1 January 2020 to 31 December 2020. Together with the Directors' Remuneration Report on pages 63 to 78, it includes details of how the Company has applied and complied with the principles and provisions of the 2018 UK Corporate Governance Code (the "Code"). The Code is published by the Financial Reporting Council and further information can be found on its website, [www.frc.org.uk](http://www.frc.org.uk). The Code is supported by the FRC's Guidance on Board Effectiveness, which the Board uses to support its approach to governance and decision making.

## COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Code requires companies to describe in the Annual Report how they have applied the main principles of the Code and also any areas where companies do not comply with the Code provisions. The Directors consider that the Company has been compliant with the Code provisions as applied during the year ended 31 December 2020, other than the exceptions as set out below. It is noted that the composition of the Board is impacted by the rights of the significant shareholders under their respective Relationship Agreements (see the Directors' Report, page 82).

*Code provision 9 recommends that the chair should be independent on appointment.*

Lawrence Stroll assumed the position of Executive Chairman on completion of the capital raise on 20 April 2020 and was not independent on appointment as he is a member of the Yew Tree Consortium. A separate Chief Executive Officer has been in place during most of the year, with the exception being the period following the departure of Dr Andy Palmer on 25 May 2020 and the appointment of Tobias Moers with effect from 1 August 2020. During this period, the Executive Chairman worked with the Executive Committee to ensure ongoing support to executive management.

*Code provision 11 recommends that at least half the board of directors of a UK-listed company (excluding the chair) should comprise 'independent' non-executive directors, being individuals determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement.*

Whilst the number of independent Non-Executive Directors comprised at least half the Board from early 2020 to late May 2020, with the retirement of a number of independent Non-Executive Directors in May the Company was not in compliance with this provision for the remainder of the year. Upon the Executive Chairman taking up his appointment, the Board commenced a detailed search process to strengthen Board membership and improve the diversity on the Board while moving towards Code compliance.

This process culminated in the appointment of Anne Stevens, Robin Freestone, Richard Parry-Jones and Antony Sheriff as independent Non-Executive Directors with effect from 1 February 2021, with the result that the Company complies with this provision. Further information regarding the search and selection process is set out on page 54.

*Code provision 12 recommends that the board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders.*

With the retirement of Richard Solomons in late May the Company was not in compliance with this provision until the appointment of Antony Sheriff as independent Non-Executive Director and Senior Independent Director with effect from 1 February 2021.

## OUR BOARD

The composition of the Board has undergone significant evolution during 2020 and up to the date of this Report. Details of the changes to the Board during 2020 are set out on page 44. At the date of this Report our Board comprises 11 members: the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer and eight Non-Executive Directors, of whom six are considered independent for the purposes of the Code. The names of the Directors and their biographies are set out on page 41 to 43.

The Directors are appointed by the Board and are subject to annual re-election by shareholders. The Company's significant shareholder groups, in line with the respective Relationship Agreements, have nominated Directors who have been appointed to the Board; further details of these arrangements are set out on page 82 of the Directors' Report.

The Board is satisfied that there is a sufficient balance between Executive and Non-Executive Directors on the Board to ensure that no one individual has unfettered decision-making powers and that Directors are able to discharge their duties and responsibilities.

It is the responsibility of the Board to establish the Company's purpose and to satisfy itself that the Company's purpose, values and strategy are aligned with its culture.

The Board's role is also to support management in the Company's strategic aims in the best interests of our shareholders and wider stakeholders. It leads and provides direction in the setting of strategy and overseeing its implementation by management. The specific activities undertaken by the Board during the year are set out on page 48. The Board also monitors the Group's operations within an agreed framework of controls, allowing risk to be assessed and managed within agreed parameters. This is discussed further in the Risk and Viability Report on page 33.

The Board has established terms of reference that set out the matters that it must approve and the specific responsibilities that it has delegated to its principal committees: the Audit and

Risk Committee, Remuneration Committee and Nomination Committee. Each of the Committees' roles and responsibilities are set out in formal terms of reference, which are determined by the Board. These are available for review on the Company's website at [www astonmartinlagonda.com](http://www astonmartinlagonda.com). Reports from each of these Committees are provided on the following pages.

All Board and Committee meetings are minuted and formally approved at the next meeting. Board minutes contain details of the Directors' decision-making processes and any follow up actions or concerns raised by the Directors.

The Board's terms of reference state that it must consider and approve the following:

- The Group's strategic aims, objectives and commercial strategy;
- Review of performance relative to the Group's business plans and budgets;
- Major changes to the Group's corporate structure, including acquisitions and disposals;
- Financial Statements and the Group dividend policy including any recommendation of a final dividend;
- Major changes to the capital structure including tax and treasury management;
- Major changes to accounting policies or practices;
- The system of internal control and risk management policy;
- The Group's risk appetite; and
- The Group's corporate governance and compliance arrangements.

## EXECUTIVE CHAIRMAN

There is a clear separation of responsibilities between the Executive Chairman and the Chief Executive Officer. The Executive Chairman, Lawrence Stroll, is responsible for leading and managing the business of the Board primarily focused on strategy, performance, value creation and accountability, setting and sustaining the culture and purpose of the Company and ensuring the Board's overall effectiveness, governance and Director succession planning. He also ensures the effective communication between the Board, management, shareholders and the Company's wider stakeholders. The Executive Chairman works collaboratively with the Chief Executive Officer, Tobias Moers, in constructively challenging and helping to develop proposals on strategy, setting the Board agenda and ensuring that any actions agreed by the Board are effectively implemented.

## CHIEF EXECUTIVE OFFICER

The Chief Executive Officer, Tobias Moers, is responsible for developing, implementing and delivering the agreed strategy and for the operational and strategic management of the Company. He is also responsible for supporting Directors' induction into the business by providing the necessary resources for developing and updating their knowledge and capabilities concerning the Company, including access to Company operations and members of the workforce.

## CHIEF FINANCIAL OFFICER

The Chief Financial Officer, Kenneth Gregor, is a member of the executive management team reporting to the Chief Executive Officer. His role is to lead the financial management, risk and internal control teams and to oversee the Company's relationship with the investment community.

## SENIOR INDEPENDENT DIRECTOR ("SID")

The Senior Independent Director, Antony Sheriff, supports the Executive Chairman in his role and leads the Non-Executive Directors in the oversight of the Executive Chairman. The SID is also available as an additional point of contact for shareholders.

## NON-EXECUTIVE DIRECTORS

The Non-Executive Directors provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. They monitor the performance and delivery of the strategy within the risk parameters and control framework set by the Board.

## THE COMPANY SECRETARY

The Company Secretary, Catherine Sukmonowski, acts as secretary to the Board and each of the Committees. She is responsible for supporting the Executive Chairman and the Board in delivering the Company's corporate governance agenda.

## RELATIONSHIP AGREEMENTS

At the start of the financial year, the Company had two groups of significant shareholders, the Adeem/PW Shareholder Group and the Prestige/SEIG Shareholder Group. Following the corporate transactions during 2020, at the end of the year, the Company had three groups of significant shareholders namely, the Adeem/PW Shareholder Group, the Yew Tree Consortium and Mercedes-Benz AG ("MBAG"). The Adeem/PW Relationship Agreement terminated on 18 February 2021, as the Adeem/PW Shareholder Group ceased to hold 7% of the voting rights attaching to the ordinary shares.

The relationship between the Company and each of these significant shareholder groups is governed by separate Relationship Agreements. The purpose of these Relationship Agreements is to ensure that the Company can carry on its business independently and for the benefit of shareholders as a whole. Each of the Relationship Agreements provides that each significant shareholder group is entitled to nominate director(s) to the Board and the Nomination Committee and an observer to each of the Remuneration and Audit and Risk Committees subject to the size of its interest in the voting rights of the Company. The Relationship Agreements also provide that the Company will not take any action in relation to certain significant matters without the prior approval of at least two-thirds of members of the Board present and entitled to vote.

Further information on the Relationship Agreements is set out in the Directors' Report on page 82.

## BOARD FOCUS

The Board has been extremely busy during 2020 having met for 8 scheduled Board meetings and an additional 28 unscheduled meetings in relation to the Yew Tree Consortium investment and rights issue; retail offer and non-pre-emptive placing; and capital raise, debt refinancing and Strategic Cooperation Agreement. Board and Committee attendance for regularly scheduled meetings during 2020 is set out below. During this period, the Board has been very mindful of our stakeholders and the possible impacts of events on them. More information on our key stakeholders is on page 22 and some examples of how the Board considered stakeholder interests is set out on page 49.

Board focus was on the following key areas/activities:

- Response to the COVID-19 pandemic, focusing in particular on the impact on the Group's workforce, the business plan, operational performance and financial position.
- Consideration and approval of the corporate actions undertaken during the year including the capital raise and rights issue (completed April 2020); the retail offer and non-pre-emptive placing (completed June 2020); and the Strategic Cooperation Agreement with Mercedes-Benz AG, refinancing and share consolidation (completed December 2020) (the "Transactions").
- CEO and CFO succession (including arrangements for the former Executive Directors) and wider Board composition and independent Non-Executive Director search.
- Approval of the new business plan and the 2021 budget.
- Preparedness for the end of the Brexit transition period, particularly in light of the COVID-19 pandemic.
- Consideration and approval of Financial Statements and announcements including the Annual Report and preliminary results announcement.
- Investor relations engagement including regular updates by the Director of Investor Relations on investor feedback, market reaction to announcements and reports from brokers and analysts.
- Regular updates on the performance of the business and transformation plans including to reduce costs and improve efficiency and impacts on the workforce and culture of the Company and plans for workforce engagement.
- Consideration of arrangements for the AGM and two General Meetings convened in connection with the Yew Tree Consortium investment and rights issue and the Transactions.
- Other standing agenda items to ensure that all aspects of the business and governance and regulatory requirements are given due consideration as appropriate.

Director	Board	Audit and Risk	Nomination	Remuneration
<b>Directors as at 31 December 2020</b>				
Laurence Stroll (Executive Chairman) <sup>1</sup>	6/6	n/a	0/0	n/a
Tobias Moers (CEO) <sup>2</sup>	2/2	n/a	n/a	n/a
Kenneth Gregor (CFO) <sup>3</sup>	3/3	n/a	n/a	n/a
Amr AbouelSeoud <sup>4</sup>	8/8	n/a	n/a	n/a
Lord Matthew Carrington (Chair, Remuneration Committee) <sup>5</sup>	8/8	4/4	0/0	5/5
Peter Ian Espenhahn (Chair, Audit and Risk Committee) <sup>6</sup>	8/8	6/6	0/0	3/3
Michael de Picciotto <sup>7</sup>	5/5	n/a	n/a	n/a
William Tame <sup>8</sup>	3/3	3/3	0/0	3/3
<b>Former Directors</b>				
Penny Hughes <sup>9</sup>	2/2	n/a	2/2	n/a
Dr. Andy Palmer <sup>10</sup>	3/3	n/a	n/a	n/a
Mark Wilson <sup>11</sup>	2/3	n/a	n/a	n/a
Richard Solomons <sup>12</sup>	3/3	2/2	2/2	2/2
Mahmoud Samy Mohamed Aly El Sayed <sup>13</sup>	5/6	n/a	2/2	n/a
Dante Razzano <sup>9</sup>	2/2	n/a	1/2	n/a
Peter Rogers <sup>14</sup>	n/a	n/a	n/a	n/a
Imelda Walsh <sup>12</sup>	2/3	2/2	2/2	2/2
Professor Tensie Whelan <sup>12</sup>	3/3	n/a	n/a	n/a

1. Joined the Board on 20 April 2020.
2. Joined the Board on 1 August 2020.
3. Joined the Board on 22 June 2020.
4. Joined the Nomination Committee on 1 February 2021. Ceased to be a Director on 18 February 2021.
5. Appointed Chair of the Remuneration Committee and joined the Audit and Risk Committee on 23 May 2020.
6. Appointed Chair of the Audit and Risk Committee and joined the Remuneration Committee on 23 May 2020.
7. Joined the Board on 24 April 2020.
8. Joined the Board and Nomination Committee on 3 June 2020. Joined the Audit and Risk and Remuneration Committees on 16 September 2020. Ceased to be a Director on 27 January 2021.
9. Ceased to be Directors on 20 April 2020.
10. Ceased to be a Director on 25 May 2020.
11. Ceased to be a Director on 30 April 2020.
12. Ceased to be Directors on 23 May 2020.
13. Ceased to be a Director on 12 November 2020.
14. Passed away on 28 January 2020.

## TIMELINE OF KEY EVENTS AND EXAMPLES OF BOARD CONSIDERATION OF STAKEHOLDERS

Timeline	Key events	Examples of stakeholder considerations*
January 2020	<ul style="list-style-type: none"> <li>Announcement of strategic investment by Yew Tree Consortium, led by Lawrence Stroll, and rights issue</li> </ul>	<ul style="list-style-type: none"> <li>Board considered early impacts of COVID-19 on suppliers/dealers/customers particularly in Asia, and advice on how the Company should prepare for wider COVID-19 impacts.</li> </ul>
February	<ul style="list-style-type: none"> <li>Announcement of 2019 full-year results and a reset business plan</li> <li>Mark Wilson, CFO, to step down no later than 30 April</li> </ul>	<ul style="list-style-type: none"> <li>In considering the relative merits of strategic investment and capital raise options the Board considered the impact on the financial position and prospects of the Company and what was in the best interests of the Company including its shareholders and creditors, including the pension scheme.</li> </ul>
March	<ul style="list-style-type: none"> <li>COVID-19 lockdown measures implemented in the UK; production at manufacturing facilities suspended and employees furloughed. Non-furloughed employees switch to home working wherever possible.</li> <li>General Meeting of shareholders on 30 March to consider Yew Tree Consortium placing and rights issue</li> </ul>	<ul style="list-style-type: none"> <li>Board consideration of 2019 Annual Report including agreement of protocols for how engagement with key stakeholders should be reported to the Board.</li> <li>Reports to the Board on engagement with investors on strategic investment/capital raise and year-end results.</li> <li>Board consideration of results of General Meeting of shareholders.</li> <li>Workforce Independent Non-Executive Director meets with Employee Engagement Group and provides feedback to the Board.</li> <li>Reports to the Board on organisational restructure programme and employee consultation processes (including trade union stakeholders) on proposals to reduce employee numbers.</li> </ul>
April	<ul style="list-style-type: none"> <li>Lawrence Stroll appointed Executive Chairman on 20 April</li> <li>Placing and rights issue successfully conclude</li> <li>Volunteer staff provide emergency vehicle repairs for local NHS staff and manufacture protective visors and gowns</li> <li>Partner with local organisations to provide PPE for local hospitals</li> </ul>	<ul style="list-style-type: none"> <li>Board considered detailed management plans to deal with COVID-19 impacts on the business including suppliers, dealers, customers and workforce. Also feedback on engagement with Government on advice and possible support and plans to furlough employees.</li> </ul>
May	<ul style="list-style-type: none"> <li>St Athan manufacturing facility reopens with new safety measures</li> <li>Appointment of Tobias Moers as CEO announced on 26 May</li> <li>Dr Andy Palmer steps down as CEO</li> <li>Board and Committee changes announced</li> </ul>	<ul style="list-style-type: none"> <li>Board considered and agreed temporary salary cuts for Directors and senior management as being in the best interests of the Company.</li> <li>Engagement by new Executive Chairman Lawrence Stroll with the workforce, investors and dealers on his vision for the Company.</li> <li>Board consideration of protocols developed with employees and trade unions to protect employee health and safety to enable return to work in our production facilities.</li> <li>Board consideration of how the Company could support the community to deal with COVID-19 impacts including delivery of PPE equipment to NHS staff and free vehicle repairs.</li> <li>Board consideration of AGM shareholder engagement given Government COVID-19 restrictions.</li> <li>Executive Chairman engagement with workforce on new CEO appointment.</li> <li>Regular Board updates on COVID-19 business impacts including health and safety of the workforce.</li> <li>Board approves placing as being in best interests of Company/shareholders to provide additional financial flexibility to successfully emerge from the extended COVID-19 lockdown and dealers' inventory de-stocking. Board agrees a retail offer to enable retail investors to participate.</li> </ul>
June	<ul style="list-style-type: none"> <li>Annual General Meeting of shareholders on 3 June</li> <li>Kenneth Gregor joins as CFO on 22 June</li> <li>Retail offer and non-pre-emptive placing</li> <li>Lockdown measures eased and gradual return of staff from furlough</li> <li>Cost efficiency action plan continues with consultation exercise to reduce employee numbers</li> </ul>	<ul style="list-style-type: none"> <li>Board consideration of investor feedback on H1 2020 results.</li> <li>Ongoing Board consideration of COVID-19 impacts on the business and key stakeholders.</li> </ul>
July	<ul style="list-style-type: none"> <li>H1 2020 financial results announced</li> <li>Initial deliveries of DBX</li> <li>"Job 1" DB5 completed</li> </ul>	<ul style="list-style-type: none"> <li>Engagement by new Chief Executive Officer, Tobias Moers, with the workforce, investors and dealers.</li> </ul>
August	<ul style="list-style-type: none"> <li>Tobias Moers joins as CEO on 1 August</li> <li>Gaydon manufacturing facility reopens with new safety measures</li> <li>Production of new Vantage Roadster commences</li> </ul>	<ul style="list-style-type: none"> <li>Key stakeholder impacts considered as part of new business plan discussions.</li> <li>Board approves capital raise, refinancing of debt and Strategic Cooperation Agreement with Mercedes-Benz AG as being in the best interests of Company/shareholders as strengthens financial resilience and critical to supporting medium-term growth plans under the new business plan.</li> <li>Board considers shareholder engagement feedback ahead of General Meeting.</li> <li>Reports to the Board on engagement with investors on capital raise, refinancing of debt, Strategic Cooperation Agreement and Q3 results.</li> </ul>
October	<ul style="list-style-type: none"> <li>Announcement of capital raise and refinancing of debt including an equity placing, issue of first and second lien notes and an updated revolving credit facility</li> <li>Announcement of Strategic Cooperation Agreement with Mercedes-Benz AG</li> <li>Announcement of Q3 2020 results</li> </ul>	<ul style="list-style-type: none"> <li>Second national UK lockdown (with tighter restrictions from December)</li> </ul>
November	<ul style="list-style-type: none"> <li>General Meeting of shareholders on 4 December to consider transactions announced in October</li> <li>Placing, Strategic Cooperation Agreement and financing transactions successfully conclude</li> <li>Capital Reorganisation effected</li> </ul>	<ul style="list-style-type: none"> <li>Announcement of five Non-Executive Director appointments and Committee changes</li> <li>New Aston Martin Cognizant F1™ branded team announced</li> </ul>
January 2021	<ul style="list-style-type: none"> <li>Announcement of five Non-Executive Director appointments and Committee changes</li> <li>New Aston Martin Cognizant F1™ branded team announced</li> </ul>	<ul style="list-style-type: none"> <li>This is to provide a sample of how the Board considered stakeholder interests during the year and is not meant to be exhaustive of all stakeholder interests considered during the year.</li> </ul>

\* This is to provide a sample of how the Board considered stakeholder interests during the year and is not meant to be exhaustive of all stakeholder interests considered during the year.

## INFORMATION FLOW, INDUCTION AND PROFESSIONAL DEVELOPMENT

The Executive Chairman works closely with the Company Secretary to plan and schedule Board and Committee meetings. A key area of focus continues to be enhancing the Board and Committee agendas and work plans to ensure that financial, regulatory and governance requirements are met throughout the year as well as providing sufficient time to focus on strategy and key areas of the business.

In addition, the Executive Chairman and the Company Secretary work to ensure that information is made available to Board members on a timely basis and is of a quality appropriate to enable the Board to effectively carry out its duties. The Executive Chairman and the Committee Chairs continued to work with management to improve the approach to agendas and papers, and to discuss the information which would be most useful for the Board to receive including between formal meetings.

An agenda and accompanying pack of detailed papers are circulated to the Board in advance of each Board meeting. Currently these include reports from the Executive Directors, other members of senior management and external advisers. Members of senior management may be invited to present relevant matters to the Board. All Directors are able to request additional information on any of the items to be discussed. The Board and the members and observers of the Audit and Risk Committee also receive further regular and specific reports from the internal auditors to allow the monitoring of the adequacy of the Group's systems of internal controls and reports from the external auditors.

Tailored induction programmes were put in place for the Executive Chairman, the new Executive Directors and Non-Executive Directors who joined the Board during the year and continue for those who joined during 2021. These include, where possible and in line with COVID-19 protocols, visits to each of the main operational locations, meetings with senior management and information about the key areas of the business.

The Board and Committee standing agenda items include the briefing of Directors on a wide range of topics which include corporate governance and regulatory requirements. Additionally, Directors have access to the advice and services of the Company Secretary and independent and professional advice at the Company's expense should they determine that this is necessary to discharge their duties. As was appropriate, the Directors were advised on their duties in respect of the capital raise and financing transactions which took place during the year.

## APPOINTMENT AND ELECTION OF DIRECTORS

All of the Directors have service agreements or letters of appointment and the details of their terms are as set out in the Directors' Remuneration Report. The Executive Chairman and Non-Executive Directors are expected to devote necessary time to perform their duties properly. This is expected to be approximately 30 days each year for the Non-Executive Directors. The Executive Chairman and Senior Independent Director may be required to spend additional time over and above this to carry out their extra responsibilities. As discussed in relation to Board attendance, Directors devoted significantly more time to Board matters during the year.

The Board considers all Directors to be effective and committed to their roles and to have sufficient time to perform their duties. All Directors will be offering themselves for election or re-election as appropriate at Company's Annual General Meeting ("AGM") with the exception of Lord Matthew Carrington and Peter Espenahn who will be retiring from the Board at the conclusion of the AGM.

The service agreements and letters of appointment are available for inspection at the Company's registered office during normal business hours. No other contract with the Company or any subsidiary undertaking of the Company in which any Director was materially interested existed during or at the end of the financial year other than the Relationship Agreements with significant shareholders the Yew Tree Consortium and the Adeem/PW shareholder group as set out on page 47, the F1™ Sponsorship Agreement as set out in the Prospectus dated 27 February 2020 and the Supplementary Prospectus dated 13 March 2020, and the agreement with two former directors to purchase a car at a discount as set out in note 31. The Adeem/PW shareholder group ceased to be a related party for the purposes of the Listing Rules during the year ended 31 December 2020, and their Relationship Agreement with the Company terminated on 18 February 2021.

## BOARD AND COMMITTEE EVALUATION AND EFFECTIVENESS

Given the significant matters before the Board, the impacts of COVID-19 and the significant changes to the Executive and the Board during the year, it was agreed that it was more appropriate to adopt an ongoing dialogue on Board effectiveness. Consequently, there was regular dialogue concerning the difficulties experienced by the business and the appropriate Board response, including separate feedback from independent Non-Executive Directors. In addition, the Committee members were separately asked for their feedback on anything that may be top of mind in respect of the operation of the respective Committee including what went well and areas for improvement.

Given the context for the year, common themes emerged from this collective feedback. Overall, it was agreed that against the backdrop of COVID-19 and the refinancing and other actions taken to stabilise the Company, it was a challenging year in all respects including for the operation of the business and the Board/Committees. While video conferencing had been a hugely useful tool to enable meetings to take place during this time it was not as effective as face-to-face meetings as it did not foster personal relationships between participants, particularly with the addition of a new management team and new Board members. The Executive Chairman and the Board had achieved a significant amount during the year to effect leadership change, the successful completion of the actions taken to stabilise the capital structure and Strategic Cooperation Agreement with Mercedes-Benz AG. Despite the significant workload and the external challenges, the Board/Committees had performed well and flexibly with effective support from management. Specific areas of practical improvement were considered with the hope that the work of the Board/Committees could return to a more “business as usual” focus.

## EXTERNAL DIRECTORSHIPS

It is recognised that non-executive directorships can provide a further level of experience for executives that can benefit the Company. As such, Executive Directors may usually take up one non-executive directorship (broadly equivalent in terms of time commitment to a FTSE 350 non-executive directorship role) subject to the Board's approval as long as there is no conflict of interest. Neither of the Executive Directors currently has any other directorship outside the Group.

## BOARD SUCCESSION AND DIVERSITY

Board succession planning is focused on ensuring the right mix of skills and experience on the Board. All new appointments are based on merit, keeping in mind that to deliver our strategy we need a Board which is diverse and inclusive. Consequently, we believe in the importance of diverse Board membership, including in relation to gender, social and ethnic backgrounds, cognitive and personal strengths, tenure and relevant experience.

At the date of this Report, the Company has two significant shareholder groups with rights to nominate representative directors to the Board under their respective Relationship Agreements with the Company, as set out on page 82. In formulating the Board Diversity Policy which was adopted in 2019, the Board recognised the Davies Report and the Hampton-Alexander Review target for women to represent 33% of boards by 2020 whilst also being cognisant of the Company's Relationship Agreements. Accordingly, under the Policy the Board agreed its aim to maintain a balance so that, as a minimum, one-third of Board members not subject to significant shareholder appointments are women, provided this is consistent with the prevailing skills and diversity requirements of the Company as and when seeking to appoint a new Director. Consequently, under the Board Diversity Policy, as at the date of this Report, there is one woman out of eight relevant Board members (being the two Executive Directors and six independent Non-Executive Directors), thereby comprising 12.5% of the Board. The ongoing evolution of the Board has impacted Board diversity in 2020, however the Board remains committed to continuing to strengthen Board membership and to enhance diversity which is very important.

## DIRECTORS' CONFLICTS OF INTEREST

Directors have a statutory duty to avoid situations in which they may have interests that conflict with those of the Company unless that conflict is first authorised by the Board. As permitted under the Companies Act 2006, the Company's Articles of Association allow Directors to authorise conflicts of interest and, in accordance with its terms of reference, the Board has established a policy and set of procedures for managing and, where appropriate, authorising actual or potential conflicts of interest. This is monitored by the Nomination Committee.

Prior to approval of this Report, the Committee has reviewed all situational conflicts that it has authorised and concluded that the potential conflicts had been appropriately authorised, no circumstances existed which would necessitate that any prior authorisation be revoked or amended, and the authorisation process continued to operate effectively.

### RELATIONSHIP WITH SHAREHOLDERS, EMPLOYEES AND OTHER STAKEHOLDERS

#### OUR APPROACH

The Board recognises that our business and our behaviours impact our shareholders and other stakeholders and that stakeholder engagement is a key element of delivering a sustainable business. This activity is taken across our business at different levels of the organisation with steps taken to ensure that the Board is aware of this activity and can also engage with stakeholders as appropriate. The Board receives regular updates from the Chief Executive Officer and the Chief Financial Officer on these matters, as well as from senior executives within the business with particular expertise or responsibility for dealing with the stakeholders involved. With the impact of COVID-19, a particular area of focus for the Board during the year was on understanding the impact on those external stakeholders critical to our business – our dealers, customers, suppliers and other partners. Examples of how the Board considered stakeholder interests during the year are set out on page 49. Information on our key stakeholders and the Board's s172 statement is set out on page 22.

#### INVESTORS

The Board is committed to maintaining good communications with existing and potential shareholders. The Executive Chairman, Chief Executive Officer and Chief Financial Officer met, in line with COVID-19 protocols, with a large number of shareholders in the period since their appointments after each announcement relating to the Company's financial performance. The Executive Chairman has engaged with institutional shareholders to discuss the Company's performance and Board governance matters and communicated their views to the Board.

In relation to investor relations activity, a combination of the Executive Chairman, Chief Executive Officer, Chief Financial Officer and Investor Relations team held over 550 meetings with 278 individual investors and analysts during the year. About 60% of the meetings included the executive management team. The Director of Investor Relations was a regular Board attendee to provide feedback from these meetings and updates on other market matters.

The management team also hosted webcasts for all reported results and market updates to take questions from investors and analysts to ensure an open dialogue with the market.

Presentations given to analysts and investors covering the Group's annual and interim results, along with all results and other regulatory announcements as well as further information for investors, are included on the investor relations section of our website at [www.astonmartinlagonda.com](http://www.astonmartinlagonda.com). Further information on our engagement with shareholders is set out below under Annual and General Meetings of shareholders.

#### WORKFORCE

As part of the Board's work to better understand the views of its people, Imelda Walsh, the Remuneration Committee Chair and Workforce Independent Non-Executive Director (until she ceased to be a Director on 23 May 2020), was responsible to the Board for directly engaging with the Company's workforce. During the period Imelda attended the Company's Employee Engagement Group ("EEG") and listened to views raised by the workforce and the Company's responses and reported on this to the Board. The Chief Financial Officer and Imelda (during her tenure) engaged with the Chair of the Trustee of the Aston Martin Pension Scheme, a key creditor of the Company, and the Pension Regulator. Measures taken in response to COVID-19 made face-to-face engagement difficult but other methods of engagement were adopted to ensure that the workforce continued to receive regular communications about the business and concerning workforce health and safety in response to the pandemic. On Imelda stepping down workforce engagement continued, led by the Chief Executive Officer and Directors of HR and Reward who provided regular updates to the Board and Committees. More information on our workforce engagement is set out in our People section on page 19.

Anne Stevens, who will be our Remuneration Committee Chair following the announcement of our year-end results, joined the Board on 1 February 2021 and became the Workforce Independent Non-Executive Director. The Board remains committed to a constructive two-way dialogue with our workforce, to enable us to better reflect their interests in future Company and strategic decisions, and to help ensure that the Company is a great place to work.

#### WHISTLEBLOWING

There is an appropriate mechanism for employees and contractors to report any concerns regarding suspected wrongdoing or misconduct. The "Confidential Reporting and Whistleblowing" policy is made available to all employees and contractors on joining the business and is published on the Group intranet together with annual mandatory training. Whistleblowing reports are investigated by the Internal Audit and Risk Management team with significant findings reported to the Audit and Risk Committee and Board. Further information on this is in the Audit and Risk Committee Report on page 61.

#### ANNUAL AND GENERAL MEETINGS OF SHAREHOLDERS

All shareholders may ask questions by contacting us and we usually encourage them to attend our AGM where they will have the opportunity to interact with Board members and ask questions. Following UK Government guidelines in response to the ongoing COVID-19 pandemic, it was not possible for our shareholders to attend our 2020 AGM and the General Meetings we held in March and December. We provided shareholders with the opportunity to ask questions ahead of the meeting with the answers published

on our website, and were able to make the proceedings of our General Meeting in December available by video to shareholders who had registered in advance. If the pandemic continues to impact shareholder attendance at our upcoming AGM, we will continue to keep under review ways to ensure engagement with our shareholders. A further update will be provided in the Notice of AGM.

The Notice convening the 2021 AGM will be made available to shareholders in advance of the meeting. This will provide shareholders with the appropriate time, as set out in the FRC's Guidance on Board Effectiveness, to consider matters.

Separate resolutions will be proposed on each substantially separate matter. The results of the proxy votes on each resolution will be collated independently by the Company's registrar and will be published on the Company's website after the meeting.

#### FAIR, BALANCED AND UNDERSTANDABLE

The Annual Report and Accounts is required, as a whole, to be "fair, balanced and understandable" and to provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Audit and Risk Committee considered, on behalf of the Board, whether the "fair, balanced and understandable" statement could properly be given on behalf of the Directors. The Committee considered the associated assurance processes (as set out on page 62) and provided a recommendation to the Board that the fair, balanced and understandable statement could be given on behalf of the Directors. Based on this recommendation, our Board is satisfied that it has met this obligation.

A summary of the Directors' responsibilities in relation to the Financial Statements is set out on page 85. The report of the external auditors on page 87 includes a statement concerning their reporting responsibilities.



# NOMINATION COMMITTEE REPORT



**LAWRENCE STROLL**  
CHAIR, NOMINATION COMMITTEE

## DEAR SHAREHOLDER

As Nomination Committee Chair, I am pleased to present the Committee's Report for the year ended 31 December 2020.

## ROLES AND RESPONSIBILITIES

The role of the Committee is to establish formal, rigorous and transparent procedures for the appointment of Directors to the Board and senior executive officers of the Company. In addition, it is responsible for reviewing the succession plans for the Executive and Non-Executive Directors.

This involves:

- The regular review of the structure, size and composition of the Board to ensure it has the proper balance of skills, experience, independence, and diversity;
- Succession planning for Directors and senior executives, including oversight of the development of a diverse pipeline for succession, with a view to addressing the leadership needs of the Company to ensure that it can continue to compete effectively in the market place;
- Identifying and nominating candidates to fill Board vacancies including managing the search process; and
- Keeping under review potential conflicts of interests of Directors disclosed to the Company and developing appropriate processes for managing such conflicts where necessary.

The Committee meets at least twice a year and has formal terms of reference which can be viewed on the Company's

website [www astonmartinlagonda.com](http://www astonmartinlagonda.com). The Committee had two formal meetings during 2020 and met in early January 2021 and engaged frequently in addition to these meetings on Board appointment matters. Committee attendance is set out on page 48.

This report sets out the work of the Committee in 2020 in more detail.

## MEMBERSHIP

The Committee presided over, and was subject to, significant change during 2020. In addition to myself as Chair, the Committee currently comprises independent Non-Executive Directors Peter Espenhahn and Lord Matthew Carrington who joined the Committee on 23 May, and more recently Robin Freestone, Richard Parry-Jones, Antony Sheriff and Anne Stevens who joined the Committee on 1 February 2021. It also comprises Non-Executive Director Stephan Unger who also joined on 1 February 2021, as the Relationship Agreements with the significant shareholder groups (see page 82) provide that each may appoint a director to the Committee. During the year, Penny Hughes was Chair of the Committee and Dante Razzano a member until they stepped down on 20 April, and Richard Solomons and Imelda Walsh were members of the Committee until 23 May when they stepped down from the Board. William (Bill) Tame was a member from 3 June until he stepped down from the Board on 27 January 2021, Mahmoud Samy Mohamed Aly El Sayed until he stepped down from the Board on 12 November and Amr AbouelSeoud was a member from 1 February 2021 until he stepped down from Board on 18 February 2021. I would like to thank Penny, Dante, Richard, Imelda, Bill, Amr and Mahmoud for their significant contributions.

The Company Secretary is secretary to the Committee and the Chief Executive Officer, Director of HR, Director of Reward and other members of the senior management team may be invited to attend for all or part of a Committee meeting as appropriate.

## EXECUTIVE MANAGEMENT CHANGE

I took up the role of Executive Chairman on 20 April 2020 following the significant investment in the Company by my Yew Tree Consortium and a rights issue. My first priority, along with that of the Board, was to strengthen executive management.

The Company had previously announced at the end of February that Mark Wilson had decided to step down as Chief Financial Officer and so the process to find a new CFO was already underway with the Committee confirming the appointment of executive search company Savannah Group to commence the search. The Committee agreed the search brief which was to consider candidates with a focus on listed company finance experience in a global industrial/manufacturing context, combined with broader business

acumen and a balance of strategic vision and hands-on style. Specific corporate “turn-around” experience was also regarded as valuable. An important element of the search was a focus on the gender diversity of the Board as part of candidate considerations and it is noted that Savannah is a signatory to the Voluntary Code of Conduct for Executive Search Firms which seeks to address gender diversity on boards and best practice for the related search processes. Following an extensive process which included the review of a “long list” of candidates a “short list” was agreed and members of the Committee and other Board members met with a number of the short-listed candidates. This process culminated in the appointment of Kenneth Gregor on 22 June.

With the significant difficulties experienced by the Company during 2019, the Board concluded that it was time to put in place new leadership to lead the urgent turnaround plans, including actions to stabilise the Company’s capital and debt structure. Given the nature of the role of Chief Executive Officer in a unique company like Aston Martin as well as the significant difficulties being faced by the Company, it was clear that the candidate would need to be of high calibre, with strong leadership capabilities and a unique skill set and ideally able to join the Company within an accelerated timescale. Given those very specific requirements and the urgent and sensitive nature of the search a small group of candidates was considered by the Board. Tobias Moers was an obvious top candidate as a highly successful and experienced automotive professional with more than 25 years in senior roles at Mercedes, highly experienced in performance cars and with a successful track record of implementing business transformation in a competitive environment. On 26 May the Company announced that Tobias Moers would join the Company as Chief Executive Officer on 1 August.

## BOARD COMPOSITION

With a desire to strengthen the Board and with the planned stepping down of independent Non-Executive Directors Richard Solomons, Imelda Walsh and Tensie Whelan, the Committee retained Savannah over the summer to conduct a wide-ranging independent Non-Executive Director search. The brief was to identify candidates with relevant automotive or luxury industry background and track record in either an executive or non-executive capacity, combined with board-relevant qualities and skills. These factors were considered critical to support the Company in its future ambitions as well as to meet our aims relating to the UK Corporate Governance Code (“Code”) compliance and diversity.

As a result of this process, we announced in January 2021 the appointment of independent Non-Executive Directors Anne Stevens, Robin Freestone, Richard Parry-Jones and Antony Sheriff. We also announced the appointment of Non-Executive Director Stephan Unger, the representative director for Mercedes-Benz AG. Peter Espenhahn (Audit and

Risk Committee Chair) and Lord Matthew Carrington (Remuneration Committee Chair) will step down from their Chair roles on the publication of our year-end results on 25 February and from the Board at the close of the AGM. Robin Freestone will become Audit and Risk Committee Chair and Anne Stevens will become Remuneration Committee Chair. Antony Sheriff is Senior Independent Director.

The Board and Committees are currently compliant with the Code (see page 46 of the Governance Report). The Committee will continue to focus on Board composition to continue to improve diversity, which is very important.

## DIVERSITY

The Board acknowledges that the Board’s perspective and approach can be greatly enhanced through diversity of gender, social and ethnic backgrounds, cognitive and personal strengths, tenure and relevant experience. There is also a recognition that to deliver our strategy it is important to promote a high-performing culture, characterised by a diverse and inclusive workforce.

In formulating the Board Diversity Policy which was adopted during 2019, the Committee recognised the Davies Report and the Hampton-Alexander Review target for women to represent 33% of Boards by 2020 whilst also being cognisant of the Company’s Relationship Agreements with its significant shareholder groups with rights to nominate representative directors to the Board (see page 82). Accordingly, it was agreed that the Board intends to maintain a balance so that, as a minimum, one third of Board members not subject to significant shareholder appointments are women, provided this is consistent with the prevailing skills and diversity requirements of the Company as and when seeking to appoint a new Director. Consequently, under the Board Diversity Policy, as at the date of this Report, there is one woman out of eight relevant Board members (being the 2 Executive Directors and 6 independent Non-Executive Directors), thereby comprising 12.5% of the Board. We acknowledge the need to do more in the area of diversity including in relation to the senior management of the Company, and so this will be a continued focus for the Committee.

## COMMITTEE EFFECTIVENESS

Committee Effectiveness Review feedback is summarised on page 51. Given events during the year with evolving circumstances and changes to Committee membership, the Chair received ongoing feedback from Committee members on Committee effectiveness.

**LAWRENCE STROLL**  
CHAIR, NOMINATION COMMITTEE

24 FEBRUARY 2021

# AUDIT AND RISK COMMITTEE REPORT



**PETER ESPENHAHN**  
CHAIR, AUDIT AND RISK COMMITTEE

## DEAR SHAREHOLDER

I took up the role of Audit and Risk Committee Chair on 23 May 2020 when Richard Solomons stepped down from the Board. I am pleased to present the Committee's report for the period.

## ROLES AND RESPONSIBILITIES

The Committee's responsibilities include:

- Assessing the integrity of the Group's Financial Statements and formal announcements of the Group's performance;
- Consideration of the Group's viability statement;
- Reviewing the Annual Report to determine whether it is fair, balanced and understandable;
- Receiving and reviewing reports from the Company's external auditors, monitoring their effectiveness and independence and making recommendations to the Board in respect of their remuneration, appointment and dismissal. Overseeing policies on the engagement of the external auditors for the supply of non-audit services;

- Reviewing the Group's internal financial, operational and compliance controls and risk identification and management systems and considering Group policies for identifying and assessing risks and arrangements for employees to raise concerns (in confidence) about possible improprieties; and
- Reviewing the annual internal audit programme and discussing the findings of any internal investigations and management's response.

The Committee meets at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. The Committee has formal terms of reference which can be viewed on the Company's website [www.astonmartinlagonda.com](http://www.astonmartinlagonda.com). Committee attendance for the period is set out on page 48.

## MEMBERSHIP

This has been a year of transition for the Committee. In addition to myself as Chair, the Committee currently comprises independent Non-Executive Directors Lord Matthew Carrington and more recently Robin Freestone, Richard Parry-Jones, Antony Sheriff and Anne Stevens who joined on 1 February 2021. Richard Solomons and Imelda Walsh were members of the Committee during the year until 23 May when they stepped down from the Board. William (Bill) Tame was a member from 3 June until he stepped down from the Board on 27 January 2021. I would like to thank Richard, Imelda and Bill for their significant contributions.

In accordance with the Relationship Agreements with the significant shareholder groups (see page 82), each may appoint an observer of the Committee with no voting rights. Michael de Picciotto and Stephan Unger currently serve as observers. Amr AbouelSeoud ceased to be an observer on 18 February 2021.

I have decided to step down as Chair of the Committee on the publication of the Company's preliminary results and from the Board and Committees at the close of the Annual General Meeting. Consequently, Robin Freestone will become Committee Chair on my stepping down. Matthew Carrington has also confirmed that he will step down from the Board and Committees at the close of the Annual General Meeting.

The Company Secretary is secretary to the Committee. The Board Executive Chairman, the Chief Executive Officer, the Chief Financial Officer, the General Counsel, the Director of Internal Audit and Risk Management, the external auditor and other senior members of the finance team also routinely attend meetings.

The Code stipulates that:

- the Committee, as a whole, shall have competence relevant to the sector in which the Company operates. All Committee members have past employment experience in either finance or accounting or engineering roles and have knowledge of financial reporting and/or international businesses. As such the Board is satisfied that the Committee, as a whole, has the competence relevant to the business sector. Details of the Committee members' experience can be found in their biographies from page 41;
- at least one Committee member should have recent and relevant financial experience. Each of Richard Solomons and William Tame met this requirement during their tenure and Robin Freestone meets this requirement as he was previously Chief Financial Officer of Pearson plc and is a qualified chartered accountant.

The Committee is considered to be independent for Code purposes as it is made up solely of independent Non-Executive Directors.

This Report sets out the work of the Committee in more detail.

#### MAIN ACTIVITIES

During the period from 1 January 2020 until 31 December 2020, the Committee had six meetings. The Committee focused on the following key areas.

- Review of the UK Corporate Governance Code requirements relating to year-end matters including, among others, the review of the Group's accounting policies, key accounting judgements, significant financial reporting matters, principal risks, going concern and viability, the effectiveness of the Group's risk management and internal control systems and "fair, balanced and understandable" reporting in the 2019 Annual Report;
- Financial Statements, announcements and other financial reporting matters including the approval of the interim results announcement, trading updates and the review and approval of the 2019 Annual Report;
- Support for the significant financial and capital transactions which took place during the year including review of the relevant working capital, Financial Position and Prospects Procedures (FPPP) financial and other reports and relevant transaction documents;

- Regular updates on treasury, tax, litigation and whistleblowing activity. Updates on COVID-19 impacts, Brexit readiness, the pension scheme and the renewal of the Group's insurance programme;
- Review and approval of the external audit plan, audit fees, reports from the external auditor and subsequent audit findings;
- Review of the internal audit function, the risk management and corporate risk register and approval of the internal audit plan;
- Considering the outcome of the Financial Reporting Council's (FRC) Audit Quality Team review of the 2018 audit undertaken by KPMG and correspondence from the FRC who had included our 2019 Annual Report as part of their sample for the thematic review of companies' reporting on the impact of climate change;
- Review and approval of new and/or amended policies including the Non-Audit Services Policy and Foreign Exchange Hedging Policy;
- Committee annual calendar and agenda planning;
- Review of the Committee's terms of reference; and
- Corporate governance matters and regulatory updates.

At each meeting the Committee held a private session with the external auditor and the Director of Internal Audit and Risk Management without members of management being present.

#### FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL JUDGEMENTS

The Annual Report seeks to provide the information necessary to enable an assessment of the Company's position and performance, business model and strategy.

The Committee assists the Board with the effective discharge of its responsibilities for financial reporting, and for ensuring that appropriate accounting policies have been adopted and that management has made appropriate estimates and judgements.

In preparing the Financial Statements for the period, there were a number of areas requiring the exercise of a high degree of estimation. These areas have been discussed with the external auditor to ensure the Group reaches appropriate conclusions and provides the required level of disclosure. The significant issues considered by the Committee in respect of the Annual Report are set out on page 58.

Significant matters for the year ended 31 December 2020	How the Committee addressed these matters
<b>Impairment assessment of goodwill and other intangible assets</b>	The Committee considered the Group's process in determining whether any asset, covered within the scope of IAS 36 Impairment of Assets, requires impairment. The key judgement in relation to assessing the carrying value of intangible assets with indefinite useful lives (goodwill and brands) largely related to the achievability of the Group's forecasts from 2021 to 2025, which underpin the valuation process. The Committee also considered whether there were any indicators of impairment of assets with a finite life. On 27 October the Group announced an expanded and enhanced Strategic Cooperation Agreement with Mercedes-Benz AG, giving access to powertrain architecture (for conventional, hybrid, and electric vehicles) and future oriented electric/electronic architecture for all product launches through to 2027. The Committee reviewed the impact on the carrying value of assets of this enhanced partnership, and other cycle plan updates following the strategic review of the business plan independently. The carrying value of intangible development costs have been impaired by £69.4m to reflect the change in future vehicle powertrains and electronic architecture. The Committee concluded that the assumptions made, conclusions reached and disclosures given were appropriate.
<b>Accounting for defined benefit pension obligations</b>	The Committee considered the financial statement disclosures in respect of the defined benefit pension scheme including the judgements made and the sensitivity analysis in relation to actuarial assumptions including discount rates, inflation and longevity as set out in note 26 to the Financial Statements. The Committee noted that the judgements, including the impact of future committed pension contributions, made on the pension scheme were all based on advice from the Group's pension adviser. The final calculations in respect of the Group's defined benefit pension scheme liability were performed by the pension scheme actuary. The Committee discussed with the auditor the assumptions applied, in particular the findings of the auditor's own pension specialist, and concluded that the assumptions made and disclosures given were appropriate.
<b>Going concern and Viability statement reporting</b>	The Committee discussed the Group's considerations in assessing the appropriateness of adopting the going concern basis of accounting and considered the financial statement disclosures in respect of adopting the going concern basis in preparing the financial information. The Committee concluded that adopting the going concern basis and the disclosures given were appropriate.
<b>Other matters</b>	<p>The Committee discussed the key assumptions used in evaluating the long-term viability of the Group, the time period for the viability statement and the stress and reverse stress testing used as a basis for conducting the overall assessment. The Committee concluded that the assumptions made and the wording included in the viability statement were appropriate.</p> <p>At the December 2020 and February 2021 meetings, the Committee also considered management's papers on the following subjects and concluded that the assumptions made and the approaches adopted were appropriate:</p> <ul style="list-style-type: none"> <li>• capitalisation and amortisation of development costs;</li> <li>• recognition and measurement of deferred tax assets;</li> <li>• the Group's revenue recognition policies;</li> <li>• recognition and measurement of the Group's warranty provision;</li> <li>• recognition and measurement of adjusting items;</li> <li>• accounting for the financing and capital arrangements;</li> <li>• accounting for the Strategic Cooperation Agreement with Mercedes-Benz AG;</li> <li>• the prior period error corrected in the year related to the timing of accounting recognition of the retail incentive element of variable marketing expenditure within the US market;</li> <li>• the Group's treasury policy and other treasury related matters; and</li> <li>• the Group's tax strategy.</li> </ul>

## FINANCIAL REPORTING COUNCIL

As part of its normal processes the FRC's Audit Quality Team met with the former Chair of the Committee to review the 2018 audit undertaken by KPMG. The FRC confirmed that the purpose of the review was to monitor the quality of the audits of listed and other major public interest entities. Discussions with audit committees support that objective by enabling the FRC to develop a better understanding of the interaction between the committee and the audit firm.

The Company received a letter from the FRC confirming that the Company's 2019 Annual Report and Accounts had been included as part of their sample for the thematic review of companies' reporting on the impact of climate change. This review does not provide assurance that the Annual Report and Accounts are correct in all material respects as the FRC's role is not to verify the information but to consider compliance with reporting requirements. No questions were raised concerning the Company's climate disclosures, but a small number of matters were noted where the Company could make improvements to its existing disclosures. These have been taken into account in the preparation of this Annual Report.

## EXTERNAL AUDITORS

### OVERSIGHT OF EXTERNAL AUDIT

The Committee oversees the work undertaken by Ernst & Young LLP ("EY"). EY was appointed as external auditors with effect from 24 April 2019, following an audit tender process. Shareholders approved EY's appointment at the Company's Annual General Meeting on the 25 June 2019. The external auditor is required to rotate the audit engagement partner every 5 years. The current engagement partner, Simon O'Neill, began his appointment from the 2019 financial year.

The Committee's responsibilities include making a recommendation on the appointment, reappointment and removal of the external auditor and overseeing their effectiveness and independence. The Committee assesses the qualifications, expertise, resources and independence of the external auditors and the effectiveness of the audit process. During the period the Committee approved the external audit plan, the proposed audit fee and terms of engagement of EY for FY 2021. It has reviewed the audit process and the quality and experience of the audit partners engaged in the audit and has also considered the extent and nature of challenge demonstrated by the external auditor in its work and interactions with management. The Committee has considered the objectivity of the auditor including the nature of other work undertaken for the Group as set out below.

The Committee considers that the Company has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the financial year under review.

## NON-AUDIT SERVICES

The Committee recognises that the independence of the external auditors is an essential part of the audit framework and the assurance that it provides. The Committee adopted a policy which sets out a framework for determining whether it is appropriate to engage the Group's auditors for non-audit services and for pre-approving non-audit fees. The overall objective of the policy is to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity. This includes, but is not limited to, assessing:

- any threats to independence and objectivity resulting from the provision of such services;
- any safeguards in place to eliminate or reduce these threats to a level where they would not compromise the auditor's independence and objectivity;
- the nature of the non-audit services; and
- whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service.

The total value of non-audit services that can be billed by the external auditor is normally restricted by a cap set at 70% of the average audit fees for the preceding three years. This cap will become effective for the year commencing 1 January 2022 at which point the current external auditors will have been engaged for the previous three years. During 2020 the Committee approved non-audit fees in excess of this limit as a result of the financing and capital raise transactions which took place during the year.

The approval of the Committee must be obtained before the external auditor is engaged to provide any permitted non-audit services. For permitted non-audit services that are clearly trivial, the Committee has pre-approved the use of the external auditor for cumulative amounts totalling less than £200,000 on the approval of the Chief Financial Officer and Chair of the Committee. During FY 2020 the Company's external auditor was engaged to provide permitted non-audit services in relation to the equity placing and rights issue transactions completed at the end of April (£725,000), the half year review (£45,000) and the further capital, finance and strategic cooperation transactions which took place in the latter part of the year (£785,000). These fees primarily related to the provision of working capital reports and comfort letters. (2019: £0.1m of non-audit services fees were paid.)

Details of the fees paid to the external auditor during the financial year can be found in note 4 to the Financial Statements.

## EVALUATION OF INTERNAL CONTROLS

The Board is ultimately responsible for the Group's system of internal controls and risk management and it discharges its duties in this area by:

- determining the nature and extent of the principal risks it is willing to accept in achieving the Group's strategic objectives (the Board's risk appetite); and
- challenging management's implementation of effective systems of risk identification, assessment and mitigation.

The Committee is responsible for reviewing the effectiveness of the Group's internal control framework and risk management arrangements. The system of internal controls is designed to manage rather than eliminate the risk of not achieving business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. This process complies with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council. It also accords with the provisions of the Code.

Details of the Group's risk management process and the management and mitigation of principal risks together with the Group's viability statement can be found in the Risk and Viability Report on page 33.

The Board, through the Committee, has carried out a robust assessment of the principal risks facing the Group and agreed the nature and extent of the principal risks it is willing to accept in delivering the Group's strategy (the Board's risk appetite). It has considered the effectiveness of the system of internal controls in operation across the Group for the period covered by the Annual Report and up to the date of its approval by the Board. This review covered the material controls, including financial, operational and compliance controls and risk management arrangements. A number of areas were identified for improvement as set out below.

During the year the new management team have enhanced the procedures and controls associated with budget and forecasting. Transformation workstreams have been established to further improve business performance, manage finished vehicle inventory to successfully reduce Group and dealer stock levels, and enhance the controls deployed to manage the authorisation, monitoring and effectiveness of marketing expenditure. These workstreams continue and are expected to complete in H1 2021. A project has commenced to replace a number of the Group's core IT systems with a new Enterprise Risk Planning system to enhance the underlying IT general controls and drive better process efficiencies across a number of core areas and activities. Phase 1 of the project is due to complete within the first half of 2022.

During the H1 results preparation process, the Company identified that an adjustment should be made in respect of the timing of accounting recognition of the majority of customer and retail incentive support associated with supporting lease and other incentive programs in the US. As a result, the balance sheets of the Group as at 31 December 2018, 30 June 2019 and 31 December 2019 and the income statements for the six months ended 30 June 2019 and the year ended 31 December 2019 were restated to correct this error. This was a non-cash adjustment and had no impact on historic or future cash flows. Full details are set out in note 2. Management have remediated this control deficiency during the period through the deployment of a comprehensive technical accounting review and thorough review of the application of IFRS 15 with respect to retail incentives and changes in the controls around the future operation of variable marketing programmes.

## CONTROL ENVIRONMENT

Our internal control framework is built upon established entity-level controls which include mandatory training in relation to the Group's Code of Conduct (which consist of 14 Standards of Corporate Conduct). The Group defines its processes and ways of working through documented standards and procedures which guide the way the Group operates. The key corporate policies include the following areas:

- Code of Conduct;
- Confidential Reporting and Whistleblowing;
- Conflicts of Interest;
- Anti-Bribery and Corruption;
- Gifts and Hospitality;
- Anti-Money Laundering; and
- Equality, Diversity and Inclusion.

There are established procedures for the delegation of authority to ensure that decisions are made at an appropriate level within the business dependent on either the magnitude or nature of the decision. In particular, access to our IT systems and applications is provided subject to formal access provisioning processes with the objective being to limit access, as appropriate, to enable an individual to perform their role and to enforce appropriate segregation of duties within business processes.

During the year, we were re-awarded ISO 9001 accreditation for our quality management system which ensures that policies, standards and procedures are appropriate for our business, that they are reviewed on a regular basis and made available to applicable employees and contractors through the Group intranet. On joining the Group all employees are provided with the Standards of Corporate Conduct policies and are asked to confirm that they have read and understood them. Existing employees are required to annually re-certify that they have read and understood these policies.

The Group continues to strengthen the control environment by embedding the Enterprise Risk Management Framework and System which is supported by “Risk Champions” within each function. A summary of the key risk management activities undertaken by the Group is included within the “Risk and Viability Report” on pages 33 to 34.

The Internal Audit and Risk Management function is responsible for administering the Enterprise Risk Management Framework and System and for providing independent assurance to the Board, the Committee and senior management.

The Group continues to develop its “three lines of defence” assurance model with the objective of embedding effective risk management and control throughout the business and providing assurance to the Board and the Committee of the effectiveness of internal control and risk management across the organisation.

This comprises the following:

- First line of defence – Functional management who are responsible for embedding risk management and internal control systems into their business processes.
- Second line of defence – Functions that oversee or specialise in risk management and compliance-related activity. They monitor and facilitate the implementation of effective risk management and control activities by the first line. These functions include Financial Control, Quality Audit, Security, IT, Health & Safety, Legal and the risk management activities performed by the Internal Audit and Risk Management team.
- Third line of defence – Functions that provide independent objective assurance to the Board, Audit and Risk Committee and senior management regarding the effectiveness of the first and second lines of defence. This includes Internal Audit and Risk Management and the external auditor’s provision of reports on the results of the audit.

## INTERNAL AUDIT

The vision and mission for the Internal Audit and Risk Management function was approved by the Committee under its Internal Audit and Risk Management Charter, which is consistent with the Institute of Internal Auditors guidance. The Charter is subject to annual review and approval by the Committee.

The Internal Audit and Risk Management function provides independent, objective assurance to the Board, the Committee and senior management on whether the existing control and governance frameworks are operating effectively to meet the Group’s strategic objectives. The Director of Internal Audit and Risk Management reports to the Chief Financial Officer with an independent reporting line to the Committee Chair. The Director provides regular reports to the Committee on the function’s activities. The Committee assesses the effectiveness of the Internal Audit and Risk Management function on an annual basis.

To ensure that it is meeting its objectives, the Internal Audit and Risk Management function has an annual work plan comprising risk-based cyclical audits, reviews of risk mitigation plans and assessments of emerging risks and business change activity, together with work mandated for compliance purposes. The audit plan for 2021 was approved by the Committee and the Committee will monitor progress against the plan in the coming year, as well as whether the plan remains focused on the evolving key risks facing the business. Such reviews will consider any changes to risk registers, hot spots and emerging risks in the industry as well as changes based on engagement with the business.

## WHISTLEBLOWING

It is important to ensure there is an appropriate mechanism for employees and contractors to report any concerns regarding suspected wrongdoing or misconduct. The “Confidential Reporting and Whistleblowing” policy is made available to all employees and contractors on joining the business and is published on the Group intranet together with annual mandatory training.

Any concerns raised are managed by the Internal Audit and Risk Management team and investigated with support from Human Resources and/or Legal teams depending on the nature of the concern. The Group continues to use a third-party managed global hotline and online reporting tool to facilitate reporting of concerns. This hotline provides for confidential reporting where required. The investigation outcomes, significant findings and status are reported to the Committee on a regular basis.

## FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. These are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external reporting purposes.

The financial reporting internal control system covers the financial reporting process and the Group’s process for preparing consolidated accounts. It includes policies and procedures which require the following:

- The maintenance of records that, in reasonable detail, accurately and fairly reflect transactions including the acquisition and disposal of assets.
- Reasonable assurance that transactions are recorded as necessary to permit preparation of Financial Statements in accordance with International Financial Reporting Standards.
- Reasonable assurance regarding the prevention or timely detection of unauthorised use of the Group’s assets.

There are also specific disclosure controls and procedure around the approval of the Group’s Financial Statements.

## FAIR, BALANCED AND UNDERSTANDABLE ASSURANCE FRAMEWORK

The Board recognises its duty to ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Board requested that the Audit and Risk Committee undertake a review and report to the Board on its assessment.

The key elements of the assurance framework for the assessment are as follows:

- the process by which the Annual Report and Accounts were prepared, including detailed project planning and a comprehensive review process;
- review of the drafting and verification processes for the Annual Report and Accounts by the Disclosure Committee;
- comprehensive reviews undertaken by the Executive Directors, members of the Executive Committee and other members of senior management comprising the Annual Report and Accounts drafting team to consider content accuracy, regulatory compliance, messaging and balance;
- the review of the Annual Report and Accounts by the Audit and Risk Committee placing reliance on the experience of the Committee members;
- reports prepared by senior management regarding critical accounting judgements and key financial areas; and
- discussions with, and reports prepared by, the external auditor.

The Committee received confirmation from management that the assurance framework had been adhered to for the preparation of the 2020 Annual Report.

The Committee provided a recommendation to the Board that the "fair, balanced and understandable" statement could be given on behalf of the Directors. The Board's confirmation is set out on page 85.

## COMMITTEE EFFECTIVENESS

The Committee carried out an Effectiveness Review with the feedback summarised on page 51. Given events during the year the Chair also sought regular soundings from Committee members on Committee effectiveness so that the Committee could remain effective in evolving circumstances.

**PETER ESPENHAHN**

CHAIR, AUDIT AND RISK COMMITTEE

24 FEBRUARY 2021

# DIRECTORS' REMUNERATION REPORT



**LORD MATTHEW CARRINGTON**  
CHAIR, REMUNERATION COMMITTEE

## DEAR SHAREHOLDER,

I am pleased to present the Directors' Remuneration Report (DRR) for the year ending 31 December 2020, which has been approved by both the Remuneration Committee (the Committee) and the Board.

The pandemic has required the Company to respond in an unprecedented way. The health and safety of our people, their families, our business partners, customers and our local communities remain our absolute priority, as we continue to work within a COVID-19 safe environment across our operations. While FY 2020 proved to be a difficult year for Aston Martin, as it did for so many globally, we have made great progress in positioning the Company for long-term success and are proud of our people and the work that has been delivered by the whole team during the year. Despite a year of uncertainty due to the COVID-19 pandemic, the Company has been resilient and we have made significant progress, not least in strengthening the financial resilience of the business by capital raises, successfully launching the DBX, de-stocking the dealer network in-line with targets to rebalance supply to demand and in taking decisive action on costs. We have developed a new business plan with significant growth ambitions, incorporating a strategic cooperation agreement with Mercedes-Benz agreed during the year.

## SENIOR LEADERSHIP BOARD-LEVEL CHANGES

As set out by the Executive Chairman, there have been changes to the leadership team at Aston Martin. We have made a number of key appointments to build a world-class senior team, Tobias Moers joined the Board as CEO in August and Kenneth Gregor joined as CFO in June. Tobias and Kenneth bring industry leading experience that is invaluable to the delivery of our strategy and have already made great strides in directing Aston Martin's transformation. The Committee approved the remuneration packages for the new executive directors and full details are set out on page 74, including on the discretion used to determine a buyout award for the CEO.

Dr Andy Palmer and Mark Wilson stepped down from the Board on 25 May 2020 and 30 April 2020 respectively and details of the final payments to both Andy and Mark are set out on page 75. As disclosed last year, neither former executive director participated in the annual bonus or LTIP in 2020.

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## FY 2020 REMUNERATION APPROACH

During April 2020, among the various actions taken to manage the challenges of COVID-19, the senior leadership team agreed to a voluntary reduction in pay with the objective of helping to conserve cash in the short-term and to help protect the longer-term financial security of the business. This included all Non-Executive Directors waiving 35% of their fees, Executive Committee members waiving 20% of their salaries and other members of senior management waiving 5% to 10% of their salaries, depending on salary level. These changes were applied for a three-month period from 1 April to 30 June 2020 and we thank the senior team for their support in accepting these waivers.

Also, during April 2020, we announced that in his role as Executive Chairman, Lawrence Stroll elected to receive only a nominal salary, of £1 per annum, with no further elements of remuneration.

Given the unprecedented uncertainty and change faced during 2020, the Committee decided to delay deciding on 2020 incentives and so no annual bonus or LTIP arrangements were put in place for the senior employees at the start of the year. Once the new leadership team was established and the updated business plan developed, the Remuneration Committee were able to determine the most appropriate approach to annual bonus and the LTIP for 2020.

## FY 2020 ANNUAL BONUS

The Committee considered it was important to operate some form of annual bonus for FY 2020, to incentivise and recognise the significant efforts of the senior team (including the new CEO and CFO since they joined Aston Martin) in a challenging year of business turnaround. The Committee gave considerable thought to how any approach for the senior team must be appropriate in the context of the challenges of 2020 and the actions taken in relation to the wider employee population (including the restructure of the organisation as part of the turnaround programme and the furloughing of employees during the pandemic) and decided that no payment would be made against the element of bonus based on financial measures (accounting for 80% of the total opportunity). It was therefore decided to limit the 2020 annual bonus to 20% of maximum for the whole senior team, with only the non-financial element of bonus (as per the Remuneration Policy) to apply to the CEO and CFO. This approach allowed specific strategic objectives, crucial to the delivery of the business plan and turnaround programme and for which the CEO and CFO were directly accountable for during their period of 2020 service, to be incentivised. Full details of the 2020 annual bonus approach and outcome are set out on page 68. All non-management employees continued to receive their contractual annual bonus payments in respect of 2020 (which were not subject to Company performance).

## FY 2020 LTIP

As with the 2020 annual bonus, the 2020 LTIP grant was delayed. The Committee was able to determine the most appropriate approach and approved the 2020 LTIP grant at the October 2020 meeting. The LTIP awards were then granted at the first opportunity post this approval, following the General Meeting held on 4 December 2020 and on the first dealing day of the consolidated shares (which was 14 December 2020).

The Committee selected Adjusted EBITDA as the most appropriate measure of profit for the 2020 LTIP (accounting for 80% of the total award), given market and internal focus on this key metric which is now used to manage the business. The Adjusted EBITDA target range was carefully calibrated based on Aston Martin's business plan and was set to be stretching (extremely so at the maximum vesting level) yet motivating in the context of our business plan and the uncertainty in the current environment. Relative total shareholder return (TSR) was selected as a second measure (accounting for 20% of the total award), recognising the importance of shareholder alignment and also the self-calibrating nature of TSR as an objective measure of performance, particularly in a period of uncertainty. TSR will be measured against a group of luxury companies, with the aim to incentivise elevation of the Aston Martin brand, by out-performance of these high-end luxury global peers.

The Committee gave considerable thought to and discussed in detail the appropriate LTIP award levels to grant to the CEO and CFO, given the external environment, the performance of the Company both in terms of financial outcomes and share price, and the need to incentivise new leadership and commitments made on appointment. The Committee therefore decided to grant LTIP awards of 300% and 200% of salary to the CEO and CFO respectively (at a maximum) to recognise and incentivise the size of the task and effort required from these new executives to turnaround the business.

Full details of the 2020 LTIP awards are set out on page 69.

## BROADER WORKFORCE REWARD

Passionate, motivated and professional people are critical to the success of Aston Martin and, to attract and retain the best talent available, our pay and benefits must be competitive. When considering the remuneration of the Executive Directors and the Executive Committee, the Committee considers remuneration across the whole Company.

The Committee was kept fully informed of the key areas of focus around Aston Martin's people during FY 2020. These were around responding to the COVID-19 pandemic, including a focus on the health, safety and well-being of Aston Martin's people, launching an organisational restructure programme, communicating and engaging with our people and the launch of the 'I AM Aston Martin' turnaround workstream, a programme focusing on developing our people strategy and culture to ensure Aston Martin is a 'Great Place to Work'.

On workforce reward more specifically, during the year the Committee considered information on the policies and practices which are in place throughout the Company. In particular, it looked at the Aston Martin employee population, salary increases and ranges, incentive approach (including the cascade of a new Group KPI scorecard – more on this below) and opportunities, pension and other non-cash benefits. We also discussed our approach to, and results of, Aston Martin's Gender Pay Gap (GPG) reporting. Our aim is to foster a culture where everybody feels valued, motivated and rewarded to achieve their best work – detailed information on our People, including our Gender Pay Gap figures, can be found on pages 18 to 20. There is also information on the Board's engagement with our workforce in the People section and with our other stakeholders in the Governance section on page 52.

## COMMITTEE MEMBERSHIP CHANGES

The composition of the Remuneration Committee has changed during the year and I would like to thank Imelda Walsh for her leadership of the Committee as Chair and Richard Solomons for his contribution as a member up until 23 May 2020, when both Directors stepped down from Board. I took over from Imelda as Chair of the Committee and was joined by fellow independent non-executive directors Peter Espenhahn and Bill Tame during FY 2020 who I would like to thank for their support.

As announced on 28 January 2021, it has been all change for the Committee in 2021, with Anne Stevens, Robin Freestone, Richard Parry-Jones and Antony Sheriff having joined the Committee on 1 February 2021, with Anne taking up the role of Remuneration Committee Chair following publication of the 2020 financial results. Bill stepped down on 28 January 2021 and Peter and I will step down from the Board at the close of the 2021 AGM.

## FY 2021 REMUNERATION APPROACH

Our approved remuneration policy will reach the end of its three-year life at our 2022 AGM. We are planning a complete review of our policy during 2021 and to seek approval at the 2022 AGM. This timing works out particularly well, with the review to be carried out with the new Committee, led by Anne Stevens as Chair, and gives us the opportunity to ensure we have a forward-looking policy that is aligned with our turnaround programme, new business plan and growth ambitions. We will look to engage with our larger shareholders on the policy review during 2021.

For 2021, the Committee has determined an approach to the annual bonus and LTIP within the current policy, although we have rebalanced the performance measures in the annual bonus based on our latest business plan (but within the flexibility of the policy).

The Committee has introduced a Group scorecard of performance measures for the 2021 annual bonus to better reflect annual progress on our new business plan and latest KPIs. This Group scorecard will be cascaded throughout the Company to apply to annual bonus for all employees, providing strong alignment of focus and a 'One Team' approach. For 2021, the scorecard will be weighted 80% on financial measures (with a 50% weighting on Adjusted EBITDA, 20% on Free Cash Flow and 10% on Wholesale volumes) and 20% on Quality performance. The Committee will continue to have the discretion to adjust bonus outcomes to ensure they are appropriate and reflect underlying business performance/ any other relevant factors. Full details of the 2021 annual bonus approach are set out on page 69.

The Committee has decided to operate the 2021 LTIP on the same basis as in 2020, albeit with updated Adjusted EBITDA targets which reflect the new three-year period (1 January 2021 to 31 December 2023) of the business plan. Full details of the 2021 LTIP approach are set out on page 71.

The Committee has had a considerable workload over the course of FY 2020 and this has continued into FY 2021. We take our responsibility to our shareholders and other stakeholders seriously and I would like to thank you for your continued support and understanding during this unprecedented and challenging period. If you have any questions on any element of this report, please email [company.secretary@astonmartin.com](mailto:company.secretary@astonmartin.com) in the first instance and I hope we can rely on your support at our forthcoming AGM.

**LORD MATTHEW CARRINGTON**  
CHAIR, REMUNERATION COMMITTEE

24 February 2021

# EXECUTIVE DIRECTORS' REMUNERATION AT A GLANCE

Our Remuneration Policy was approved by shareholders at the AGM on 25 June 2019 and is set out in full in the 2018 DRR. This can be found in the Annual Report FY 2018 at [www.astonmartinlagonda.com](http://www.astonmartinlagonda.com). We will review our Policy during FY 2021 and seek approval for a new Policy at the 2022 AGM (when the current Policy is due to expire).

This section explains the outcomes from the implementation of our Policy during FY 2020.

## REMUNERATION OUTCOMES FOR FY 2020

### FY 2020 TOTAL SINGLE FIGURE REMUNERATION FOR EXECUTIVE DIRECTORS

The table below sets out the 2020 single figure of total remuneration received by the Executive Directors.

Element	Tobias Moers CEO from 1 August 2020 (£'000s)	Kenneth Gregor CFO from 22 June 2020 (£'000s)	Andy Palmer CEO until 25 May 2020 (£'000s)	Mark Wilson CFO until 30 April 2020 (£'000s)
Salary	354	224	417	135
Benefits	48	7	14	3
Pension	37	24	44	14
Annual bonus	142	67	–	–
<b>Total</b>	<b>581</b>	<b>322</b>	<b>476</b>	<b>152</b>
Prior company incentives buyout		901		
<b>Total</b>		<b>1,482</b>		

### 2020 ANNUAL BONUS APPROACH AND OUTCOME

The 2020 annual bonus was limited to 20% of the maximum bonus opportunity, with only the non-financial element of the bonus operated. This allowed specific objectives that were considered crucial to the delivery of the business plan to be incentivised. The specific objectives that the CEO and CFO were directly accountable for during their period of 2020 service are set out below.

Performance measure	2020 approach	2020 achieved
Financial measures (80%)	No payment to be made for FY 2020	N/A
CEO strategic objectives (20%)	(1) Secure strategic technology agreement with Mercedes-Benz AG (2) De-stocking of dealer network (3) Organisational restructure cost reduction targets	All met
CFO strategic objectives (20%)	(1) Execution of refinancing (mezzanine debt-raise) to required level (2) Execution of revolving credit facility credit facility to required level (3) Organisational restructure cost reduction targets	All met

The Committee considered the bonus outcome for 2020 and determined that the strategic objectives as set out above had been met in full and so 20% of bonus would be paid (pro-rata for period of 2020 service). As both the CEO and CFO are new to the business, they are yet to meet their shareholding guideline and so 50% of the net 2020 bonus payment will be delivered in shares deferred for three years.

### ALIGNMENT BETWEEN EXECUTIVE DIRECTORS AND SHAREHOLDERS

The new CEO and CFO are subject to shareholding guidelines of 300% and 200% of salary respectively, which drives long-term alignment with investors. Having only recently joined the Company, the CEO held 4,315 shares (value of £86.7k) and the CFO held no shares as at 31 December 2020. As mentioned above, 50% of the net 2020 bonus payment will be delivered in deferred shares to both the CEO and CFO and these shares will count towards their respective guideline.

### REMUNERATION POLICY AND IMPLEMENTATION IN FY 2021

The implementation of our Remuneration Policy for FY 2021 is set out in the following section (Annual Report on Remuneration).

# ANNUAL REPORT ON REMUNERATION

## FY 2020 TOTAL SINGLE FIGURE REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED)

The table below sets out the single figure of total remuneration received by the Executive Directors in respect of FY 2020 (and the prior financial year). The subsequent sections detail additional information for each element of remuneration.

Shown in £'000s	Salary	Benefits	Pension	Total fixed	Annual bonus <sup>1</sup>	LTIP	Total variable	Total	Prior company incentive buyout <sup>2</sup>	Total
<b>Executive director</b>										
Lawrence Stroll <sup>3</sup>										
Year to 31 December 2020	£1 (one)				£1 (one)					£1 (one)
Tobias Moers <sup>4</sup>										
Year to 31 December 2020	354	48	37	439	142	n/a	–	581	901	1,482
Kenneth Gregor <sup>5</sup>										
Year to 31 December 2020	224	7	24	255	67	n/a	–	322	–	322
<b>Former executive directors</b>										
Dr Andy Palmer <sup>6</sup>										
Year to 31 December 2020	417	14	44	475	–	n/a	–	475	–	475
Year to 31 December 2019	1,200	26	127	1,353	–	n/a	–	1,353	–	1,353
Mark Wilson <sup>7</sup>										
Year to 31 December 2020	135	4	14	153	–	n/a	–	153	–	153
Year to 31 December 2019	425	23	45	493	–	n/a	–	493	–	493

### Notes:

1. The 2020 annual bonus was limited to 20% of normal maximum, with only the non-financial element of bonus operated, and payments are pro-rata for period of service and will be delivered 50% (net) in deferred shares, as detailed on page 68
2. As compensation for incentives he forfeited on leaving his previous employer, Tobias Moers received a cash payment of €500,000 on joining and will receive a further €500,000 on 1 August 2021 – the full amount has been recognised in 2020, his year of appointment. The buyout is subject to clawback provisions should Tobias leave the Company under certain circumstances and full details are set out on page 74
3. Lawrence Stroll became Executive Chairman on 20 April 2020, and elected to receive a nominal salary only, of £1 per annum and receives no other elements of remuneration
4. 2020 remuneration for Tobias Moers relates to the period since joining, 1 August to 31 December 2020
5. 2020 remuneration for Kenneth Gregor relates to the period since joining, 22 June to 31 December 2020
6. 2020 remuneration for Andy Palmer relates to the period 1 January to 25 May 2020, when he stepped down from the Board, full details of all final payments agreed with Andy Palmer are shown on page 75
7. 2020 remuneration for Mark Wilson relates to the period 1 January to 30 April 2020, when he stepped down from the Board, full details of all final payments agreed with Andy Palmer are shown on page 75

### SALARY (AUDITED)

Tobias Moers's salary from date of appointment was £850,000 and Kenneth Gregor's was £425,000. These salaries reflect the experience both executives have as proven talented automotive leaders and, although appear high in a UK FTSE250 context, were set at these levels to secure the individuals with the skills the business requires to deliver the turnaround of the business to achieve its full potential. These salaries are considered to be appropriate by the Committee and are supported by the Executive Chairman. No increases will be applied to these salaries during 2021.

In his role as Executive Chairman, Lawrence Stroll has elected to receive a nominal salary only, of £1 per annum and receives no other elements of remuneration.

Andy Palmer and Mark Wilson did not receive any increase to their salaries during 2020 and these were £1,200,000 and £425,000 respectively as at the date they stepped down from the Board.

**PENSION (AUDITED)**

Each Executive Director receives a cash allowance in lieu of participation in the defined contribution scheme. They receive an allowance of 10.6% of salary, which is the maximum of 12% of salary with a deduction for an amount equal to the employer's National Insurance contribution.

As disclosed in our Remuneration Policy, the Executive Directors' pension allowances are in line with the majority of employees. The maximum level of employer pension contribution throughout the organisation is the same regardless of seniority at 12% of salary (a defined benefit scheme was operated pre-2011).

No Director has a prospective entitlement to receive a defined benefit pension.

**ALLOWANCES AND BENEFITS (AUDITED)**

FY 2020 Shown in £'000s	Car allowance and personal mileage	Life assurance	Insurance (private medical and travel)	Relocation allowance	Total
Tobias Moers	5	3	2	38	48
Kenneth Gregor	4	2	1		7
<b>Former executive directors</b>					
Dr Andy Palmer	7	7	1		14
Mark Wilson	2	1	1		4

**ANNUAL BONUS****ANNUAL BONUS OUTCOMES FOR FY 2020 (AUDITED)**

As detailed in the Committee Chair's letter, given the unprecedented uncertainty and change faced during 2020 (both specifically for Aston Martin and externally due to COVID-19), the Committee decided to delay discussions to determine an approach to 2020 incentives and so no annual bonus or LTIP arrangements were put in place for the senior population at the start of the year (which would otherwise have been the normal timing). Once the new leadership team and an updated business plan were established, the Committee were able to determine the most appropriate approach to annual bonus and LTIP for 2020. The Remuneration Committee were mindful that any approach must be appropriate in the context of 2020 as an unprecedented year and the actions taken in relation to the wider employee population, including the organisational restructure programme and the furloughing of employees during the year (due to the pandemic).

The Committee decided that no payment would be made against the element of bonus based on financial measures (80% of the total opportunity), therefore limiting any payment to 20% of the maximum, subject to performance against a range of strategic objectives. The Committee considered it important to operate some form of annual bonus for 2020, to incentivise and recognise the significant efforts of the senior team (including the new CEO and CFO since they joined Aston Martin) in a challenging year of business turnaround and the Executive Chairman shared the Committee's view. This approach allowed specific objectives that were crucial to the delivery of the business plan and turnaround programme to be incentivised, those which the CEO and CFO were directly accountable for during their period of 2020 service (as set out below).

Performance measure	2020 approach	2020 achieved
Financial measures (80%)	No payment to be made for FY 2020	N/A
CEO strategic objectives (20%)	(1) Secure strategic technology agreement with Mercedes-Benz AG (2) De-stocking of dealer network to be achieved in-line with target value (3) Organisational restructure cost reduction – by December 2020 Board meeting, provide set-up and first estimate of cost savings for turnaround and restructure of whole Company	(1) Announced 27 October 2020 (2) Destocked GT/Sport dealer inventory, with dealer GT/Sport stock levels down to less than half the 2020 opening position by 31 December 2020, ahead of targets set (3) Delivered at 4 December 2020 Board meeting
CFO strategic objectives (20%)	(1) Execution of refinancing (mezzanine debt-raise) to required level by FY 2020 year-end (2) Execution of revolving credit facility credit facility with 5 banks to required level by FY 2020 year-end (3) Organisational restructure cost reduction – by December 2020 Board meeting, provide set-up and first estimate of cost savings for turnaround and restructure of whole Company	(1) Refinancing of debt announced 27 October 2020, transactions concluded 14 December 2020 (2) Updated RCF announced 27 October 2020, transactions concluded 14 December 2020 (3) Delivered at 4 December 2020 Board meeting

The Committee considered the bonus outcome for 2020 and determined that the strategic objectives as set out above had been met in full and so 20% of bonus would be paid (pro-rata for period of 2020 service). As both the CEO and CFO are new to the business, they are yet to meet their shareholding guideline and so 50% of the net 2020 bonus payment will be delivered in deferred shares.

In determining this outcome, the Committee noted that the rest of the senior team was eligible to receive up to 20% of their 2020 bonus and all non-management employees would be eligible to receive 100% of their contractual annual bonus for FY 2020.

	Maximum bonus opportunity (% of salary)	Performance measures/ targets	Level of 2020 achievement	2020 bonus payment (% of maximum)	2020 bonus payment (% of salary)	2020 bonus payment* (£'000s)
Annual bonus for FY2020						
<b>Tobias Moers</b>	200%	Strategic objectives (see above)	Met in full	20%	40%	<b>£142</b>
<b>Kenneth Gregor</b>	150%		Met in full	20%	30%	<b>£67</b>

\* Pro-rata for period of 2020 service

Dr Andy Palmer and Mark Wilson did not participate in the FY 2020 annual bonus plan and so no 2020 annual bonuses were paid to the former executive directors.

#### ANNUAL BONUS FOR FY 2021

The Committee has introduced a Group scorecard of performance measures for the 2021 annual bonus to better reflect annual progress on our new business plan and latest KPIs. This Group scorecard will be cascaded throughout the Company to apply to annual bonus for all employees, providing strong alignment of focus and a 'One Team' approach. For 2021, the scorecard will be weighted 80% on financial measures (including a 50% weighting on Adjusted EBITDA, 20% on Free Cash Flow and 10% on Wholesale volumes) and 20% on Quality performance. The Committee believes these are the right measures to make annual progress towards delivering our long-term strategy. The new Group KPI scorecard is set out below, the actual targets remain commercially sensitive and will be disclosed retrospectively in the 2021 DRR, when the 2021 performance year is complete.

#### GROUP KPI SCORECARD TO APPLY TO 2021 ANNUAL BONUS

Area	Profit	Cash	Volumes	Quality
Measure	Adjusted EBITDA	Free Cash Flow (FCF)	Wholesale volumes	In-house quality External quality
Weighting	50%	20%	10%	20%

The Committee will continue to have the discretion to adjust bonus outcomes to ensure they are appropriate and reflect underlying business performance/ any other relevant factors.

#### LONG-TERM INCENTIVE PLAN

The following section sets out details of:

- 2020 LTIP awards granted during FY 2020
- Approach to 2021 LTIP awards

#### 2020 LTIP AWARDS GRANTED DURING FY 2020 (AUDITED)

As per the 2020 annual bonus, the 2020 LTIP grant was delayed, with the Remuneration Committee determining an approach and approving the 2020 LTIP grant at the October 2020 meeting, with input from the new leadership team and an updated business plan in place. The LTIP awards were then granted at the first opportunity post this approval, following the General Meeting held on 4 December 2020 and on the first dealing day of the consolidated shares (which was 14 December 2020).

The table below summarises the LTIP share awards that were granted to the Executive Directors during FY 2020.

#### 2020 LTIP SHARE AWARDS

FY 2020	Type of award	Basis of award	Shares awarded	Face value at grant (£'000s)
Tobias Moers	LTIP share award	300% of salary	211,618	£2,550
Kenneth Gregor		200% of salary	70,539	£850

Notes:

1. The LTIP shares were granted on 14 December 2020 and will vest subject to the performance conditions and vesting schedule outlined below
2. Awards were granted in the form of nil-cost options
3. The face value of each award was calculated using the 3-month average price prior to the date of grant, multiplied by 20 to reflect the share consolidation (£12.05)
4. Adjusted EBITDA will be assessed over three financial years to 31 December 2022 and TSR will be measured over a three-year period from the date of grant to 13 December 2023
5. Subject to performance, the element of awards subject to EBITDA performance will vest following the announcement of results for 2022 (early March 2023) and the element of awards subject to relative TSR performance will vest three years from grant, following the Remuneration Committee's determination of the performance outcome
6. The CEO and CFO will be required to hold at least 75% of any shares that vest (net of tax) until they have met their shareholding guidelines under the shareholding policy

Whilst the LTIP design has been agreed, the Remuneration Policy allows a degree of flexibility around a number of the LTIP design elements. This flexibility allows the Committee to determine the most appropriate approach to the performance measures, targets, ranges and payout schedules ahead of each annual award, to align to the latest business plan.

The Committee selected Adjusted EBITDA as the most appropriate measure of profit for the 2020 LTIP, given market and internal focus on this key metric, which is now used to manage the business. The Committee believes strong performance in Adjusted EBITDA is key to delivering strong shareholder returns. The Adjusted EBITDA targets were carefully calibrated based on Aston Martin's latest business plan and external expectations. The range was set to be stretching (extremely so at the maximum vesting level) yet motivating in the context of our business plan and the uncertainty in the current environment. Total shareholder return (TSR) was selected as a second measure, recognising the importance of shareholder alignment and also the self-calibrating nature of TSR as an objective measure of performance, particularly in a period of uncertainty. TSR will be measured on a relative basis, against a select group of luxury companies, which aims to incentivise elevation of the Aston Martin brand, by out-performance of these high-end luxury companies. Ultimately, the successful delivery of our business plan and strategy (detailed on pages 14 to 15) will be reflected in our Adjusted EBITDA and TSR performance.

As detailed in the Committee Chair's letter, the Committee gave considerable thought and discussed in detail the appropriate LTIP award levels to grant to the CEO and CFO, given the external environment, the performance of the Company both in terms of financial outcomes and share price, and the need to incentivise new leadership and

commitments made on appointment. With support from the Executive Chairman, the Committee decided to grant LTIP awards of 300% and 200% of salary to the CEO and CFO respectively (at a maximum) to recognise and incentivise the size of the task and effort required from these new executives to turnaround the business. The Committee was mindful of the need to balance evolving governance trends with the need to recognise, incentivise and reward the critical periods of the business turnaround with 3-year rolling LTIP awards. After careful consideration and with the full support of the Executive Chairman, the Committee decided that no self-standing 2-year post vesting holding period would be applied to the award but rather the open ended requirement to hold at least 75% of any LTIP shares that vest (net of tax) until the CEO and CFO have met their shareholding guidelines will apply.

The 2020 LTIP awards are subject to the performance conditions and malus and clawback provisions as detailed below, and these are in line with the Remuneration Policy approved in 2019.

#### 2020 LTIP PERFORMANCE MEASURES AND TARGETS

		2020 LTIP targets	Vesting* (as a % of maximum)
<b>Adjusted EBITDA</b> (£m in FY22) (80% of award)	Threshold	200	20%
	Stretch	300	80%
	Maximum	350	100%
<b>Relative TSR</b> (vs. luxury peers) (20% of award)	Threshold	Rank 6th (median)	20%
		Rank 3rd or above	
	Maximum	(80th percentile)	100%

\* Vesting will be on a straight-line basis between each of threshold and stretch, and stretch and maximum for the EBITDA element and threshold and maximum for the TSR element

- TSR performance will be measured on a ranked basis against the following luxury companies: Burberry, Capri Holdings, Compagnie Financiere Richemont, Ferrari, Hermes International, Kering, LVMH, Moncler, Prada and Ralph Lauren.
- The Remuneration Committee retains discretion to adjust the vesting levels to ensure they reflect underlying business performance and any other relevant factors to ensure that the value at vesting is fully reflective of the performance delivered and executives do not receive unjustified windfall gains.

#### MALUS AND CLAWBACK:

- Malus and clawback provisions will be operated at the discretion of the Remuneration Committee in respect of awards granted under the LTIP where it considers that there are exceptional circumstances. Such exceptional circumstances may include serious reputational damage, a failure of risk management, an error in available financial information, which led to the award being greater than it would otherwise have been or personal misconduct.
- Clawback may be applied for a period of up to three years for any LTIP awards.

The former executive directors, Dr Andy Palmer and Mark Wilson, were not granted awards under the LTIP in FY 2020.

#### 2021 LTIP AWARDS

The Committee has decided to apply the same performance measures and weightings for 2021 LTIP awards as those recently determined for the delayed grant of the 2020 LTIP. The targets have again been carefully calibrated based on Aston Martin's business plan and external expectations and are considered stretching (extremely so at the top end) yet motivating in the context of our business plan and the current environment. It is anticipated that 2021 awards will be granted in May 2021, with awards at the following levels:

- Tobias Moers (CEO) – 300% of salary
- Kenneth Gregor (CFO) – 200% of salary

These award levels have been determined to recognise and incentivise the size of the task and effort required from these executives to turnaround the business. The Committee gave considerable thought to the appropriate levels and while recognising the 2020 LTIP awards were also granted at these levels, in-light of the need to incentivise performance over the new 3-year period and the challenging business plan and turnaround programme, decided to grant 2021 LTIP awards at these levels. The Adjusted EBITDA targets for the new period were carefully calibrated based on the latest business plan and external expectations and are stretching (extremely so at the maximum vesting level) yet motivating in the context of our business plan and the continued uncertainty in the current environment. As for 2020 awards, no self-standing 2-year post vesting holding period will be applied for 2021 LTIP awards (as explained in the previous section).

#### 2021 LTIP PERFORMANCE MEASURES AND TARGETS

		2020 LTIP targets	Vesting* (as a % of maximum)
<b>Adjusted EBITDA</b> (£m in FY23) (80% of award)	Threshold	300	20%
	<b>Stretch</b>	<b>425</b>	<b>80%</b>
	Maximum	500	100%
<b>Relative TSR**</b> (vs. luxury peers) (20% of award)	Threshold	Rank 6th (median)	20%
		Rank 3rd or above	
	Maximum	(80th percentile)	100%

\* Vesting will be on a straight-line basis between each of threshold and stretch, and stretch and maximum for the EBITDA element and threshold and maximum for the TSR element

\*\* TSR peers as per 2020 LTIP, detailed at the top left of this page

- The Remuneration Committee retains discretion to adjust the vesting levels to ensure they reflect underlying business performance and any other relevant factors to ensure that the value at vesting is fully reflective of the performance.

#### Performance period

- Adjusted EBITDA will be measured over three financial years to 31 December 2023.
- Relative TSR will be measured over a three-year period from grant.

The CEO and CFO will be required to hold at least 75% of any shares that vest (net of tax) until they have met their shareholding guidelines under the shareholding policy.

#### SHARE INTERESTS AND SHAREHOLDING GUIDELINES (AUDITED)

The current CEO and CFO are subject to shareholding guidelines of 300% and 200% of salary respectively, which drives long-term alignment with investors.

The following table sets out the total beneficial interests of the executive directors (and their connected persons) in ordinary shares of Aston Martin Lagonda Global Holdings plc as at 31 December 2020 (or at the date of stepping down), as well as the status against the shareholding guidelines. The table also summarises conditional interests in share or option awards.

Having only recently joined the Company during FY 2020, the CEO and CFO were yet to achieve their shareholding guidelines as at 31 December 2020. As mentioned above, 50% of the net 2020 bonus payment will be delivered in deferred shares to both the CEO and CFO and these shares will count towards their respective guidelines.

	Shares owned outright	Shares vested but subject to lock-up arrangements <sup>1</sup>	Total shares owned outright or vested <sup>2</sup>	As a % of salary <sup>3</sup>	Shareholding guideline (as % of salary)	Guideline met?	LTIP award shares unvested and subject to performance <sup>4</sup>
As at 31 December 2020 (or at the date of stepping down)							
Tobias Moers	4,315	—	<b>4,315</b>	10.2%	300%	No	211,618
Kenneth Gregor	—	—	—	—	200%	No	70,539
Lawrence Stroll <sup>5</sup>	24,799,964	—	<b>24,799,964</b>	n/a			n/a
<b>Former executive directors</b>							
Dr Andy Palmer	92,421	156,832	<b>249,253</b>	146.4%	800%	No	13,106
Mark Wilson	2,712	21,956	<b>24,668</b>	66.5%	300%	No	3,094

Notes: All numbers of shares and share prices have been adjusted for December 2020 consolidation

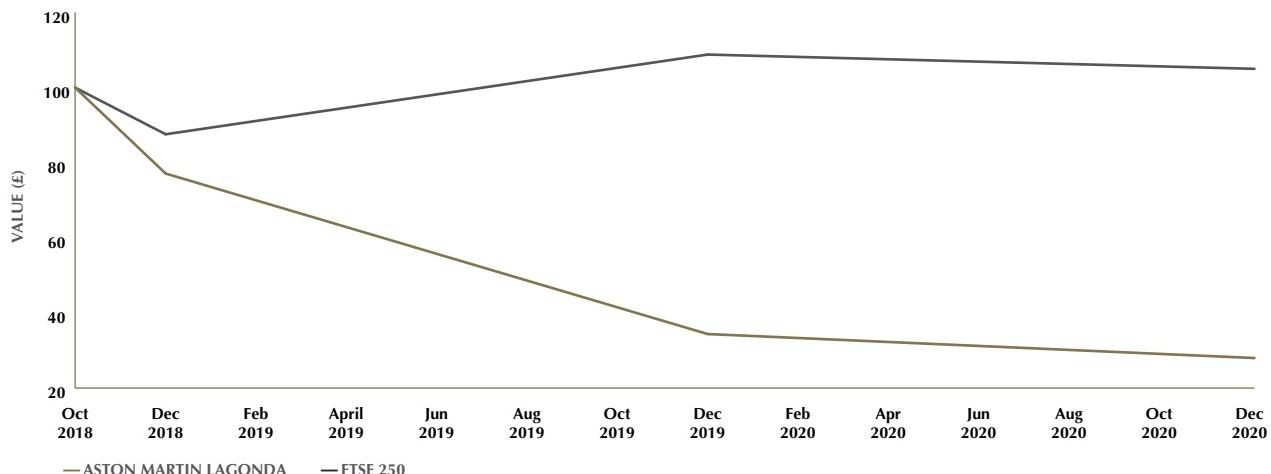
1. These vested shares were granted under the Legacy IPO LTIP (details of which can be found in the 2018 DRR) and remained subject to lock-up arrangements as at date of stepping down from the Board
2. There have been no changes in the period up to and including 24 February 2021
3. Based on the closing share price on 31 December 2020 of £20.09 for Tobias Moers and on date of stepping down from the Board for Dr Andy Palmer (£7.09 on 25 May 2020) and Mark Wilson (£11.46 on 30 April 2020) (adjusted to reflect the December 2020 1 for 20 share consolidation as appropriate)
4. These shares were granted under the 2020 LTIP award for Tobias Moers and Kenneth Gregor and under the 2019 LTIP award for Dr Andy Palmer and Mark Wilson (the 2019 LTIP awards lapsed in full upon their leaving the Company)
5. The number of shares shown for Lawrence Stroll includes both direct and indirect interests

## TSR PERFORMANCE GRAPH AND CEO REMUNERATION

The Company's shares started trading on the London Stock Exchange's main market for listed securities on 8 October 2018.

The graph below shows the TSR performance of £100 invested in the Company's shares since listing, compared to the FTSE 250 index which has been chosen because the Company has been a constituent of this index since listing.

TSR VS. THE FTSE250



The table below shows the total remuneration earned by the incumbent CEO over the same period, along with the percentage of maximum opportunity earned in relation to each type of incentive. The total amounts are based on the same methodology as used for the single figure of total remuneration for FY 2020 on page 67.

### CEO TOTAL REMUNERATION

Dr Andy Palmer (AP, CEO to 25 May 2020), Tobias Moers (TM, CEO from 1 August 2020)

FY	2018 <sup>1</sup> (AP)	2018 <sup>2</sup> (AP)	2019 (AP)	2020 (AP)	2020 (TM)
<b>Total remuneration (£'000s)</b>	407	1,347	1,353	476	1,482
<b>Bonus (% of maximum)</b>	0%	0%	0%	0%	20%
<b>LTIP<sup>3</sup> (% of maximum)</b>	n/a	n/a	n/a	n/a	n/a

Notes:

1. FY 2018 remuneration shown is for the period 8 October to 31 December 2018, annual bonus was restated to zero as set out in the 2019 DRR
2. The amounts shown for FY 2018 in the second column have been annualised, as if the Remuneration Policy operated since IPO had been in place for the full year (as disclosed in the 2018 DRR, with bonus restated to zero)

## DIRECTOR REMUNERATION RELATIVE TO EMPLOYEES

The table below compares the total salary/ fees, benefits and bonus received by each Director during FY 2020 compared to the prior year. The year-on-year change is also shown for the UK employee population. For comparison purposes, only Directors who had periods of service in both 2019 and 2020 have been included and 2020 amounts have been adjusted to reflect a full year equivalent to enable a meaningful reflection of year-on-year change.

Year-on-year change (%)	Average employee	Executive Directors		Non-Executive Directors								
		Dr Andy Palmer	Mark Wilson	Amr Abouel Seoud	Lord Matthew Carrington	Peter Espenahn	Mahmoud Samy Mohamed El Sayed	Penny Hughes	Dante Razzano	Richard Solomons	Imelda Walsh	Professor Tensie Whelan
Salary/fees	+3%	-34%	-17%	-34%	-17%	-17%	-37%	-27%	-34%	-35%	-35%	-29%
Bonus	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Benefits	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

### Notes:

1. The comparator group includes all UK employees. This group represents the majority of Aston Martin employees and is the same group used for the pay ratio reporting below.
2. For the comparator group of employees, the salary year-on-year change is shown for non-management employees only and includes the annual salary review from 1 January 2020 but excludes any additional changes made in the year, for example on promotion. Management employees did not receive a general salary increase during 2020. The decrease to executive director salaries year-on-year reflects the waiver during April, May and June 2020.
3. The decrease to NED fees year-on-year reflects both the reduction in fee levels applied from 1 January 2020 and the waiver during April, May and June 2020.
4. The year-on-year change in bonus is also shown for non-management employees only – this population will be eligible to receive their contractual annual bonus payments in respect of 2020. Management bonuses were zero in 2019 and will be limited to 20% of opportunity for 2020, including for the new CEO and CFO as detailed on page 68 (and note zero bonus payment to the prior CEO and CFO for both 2019 and 2020)
5. For benefits, there were no changes to benefit policies or levels during the year
6. The increase in the value of benefits shown for the CEO reflects an increase in the cost of the same benefits.

## CEO PAY RATIOS

The ratios, set out in the table below, compare the total remuneration of the incumbent CEO (as included in the single figure table on page 67) to the remuneration of the median UK employee as well as employees at each of the lower and upper quartiles. Due to the change of CEO during the year, the FY 2020 values are derived from the total single figure of remuneration table on page 67 for the periods that each of Tobias Moers and Andy Palmer held the CEO role (and added together).

CEO pay ratios (Options A)	25th percentile (P25)	Median (P50)	75th percentile (P75)
FY 2020	53 to 1	45 to 1	37 to 1
FY 2019	34 to 1	29 to 1	24 to 1

The ratios are calculated using 'option A' as set out in the disclosure regulations. The employees at the lower quartile, median and upper quartile (P25, P50 and P75) were determined based on total remuneration for FY 2020 using a calculation approach consistent with that used for the incumbent CEO in the single figure table on page 67. The Committee chose to use option A on the basis that it would provide the most accurate approach to identifying the median, lower and upper quartile employees. The calculation was undertaken on a full-time equivalent basis, adjusting pay for part-time workers to a 39-hour week equivalent. The total remuneration in respect of FY 2020 for the employees identified at P25, P50 and P75 was £37k, £43k, and £50k, respectively. The base salary for FY 2020 for the employees at P25, P50 and P75 was £35k, £41k and £53k respectively.

The Committee considers pay ratios as one of many reference points when considering remuneration.

Throughout Aston Martin, pay is positioned to be fair and market competitive in the context of the relevant talent market for each role.

## RELATIVE IMPORTANCE OF SPEND ON PAY FOR FY 2020

The table below sets out the total payroll costs for all employees for FY 2020 compared to distributions to shareholders by way of dividend and share buyback. Adjusted EBITDA is also shown as context.

	FY 2020	FY 2019
Adjusted EBITDA	£m	(70.1)
	% change	n/a
Distributions to shareholders	£m	–
	% change	–
Payroll costs for all employees	£m	149.5
	% change	(4.6%)

## SERVICE AGREEMENTS

The table below sets out information on service agreements for the executive directors.

Executive Director	Title	Effective date of service agreement	Notice period to and from the Company
<b>Lawrence Stroll</b>	Executive Chairman	20 April 2020	Mr Stroll's appointment is terminable in accordance with the Yew Tree Relationship Agreement
<b>Tobias Moers</b>	Chief Executive Officer	25 May 2020	12 months
<b>Kenneth Gregor</b>	Chief Financial Officer	20 June 2020	12 months

The service agreements for Executive Directors are available for inspection by shareholders at the registered office of the Company.

## EXTERNAL APPOINTMENTS

It is recognised that Non-Executive Directorships can provide a further level of experience that can benefit the Company. As such, Executive Directors may usually take up one Non-Executive Directorship (broadly equivalent in terms of time commitment to a FTSE 350 Non-Executive Directorship role) subject to the Board's approval as long as there is no conflict of interest. A Director may retain any fee received in respect of such Non-Executive Directorship. Neither the CEO nor the CFO has any Non-Executive Directorships.

## FURTHER INFORMATION ON REMUNERATION FOR NEW EXECUTIVE DIRECTORS

### REMUNERATION FOR THE CEO (TOBIAS MOERS)

Tobias Moers's 2020 remuneration for his role as CEO (from 1 August 2020) is detailed below:

- Base salary of £850,000 reflecting his experience as an exceptionally talented automotive professional and a proven business leader with a strong track record which will be invaluable to the delivery of our strategy for the business to achieve its full potential
- An annual cash allowance of £50,000 for a period of 5 years as relocation assistance (the Company will also meet tax payable on this allowance)
- A pension allowance of 10.6% of salary (which is the maximum of 12% of salary with a deduction for an amount equal to the employer's NI) and other non-cash benefits in accordance with the Remuneration Policy
- Annual performance-based bonus opportunity of up to 200% of salary, pro-rata for period of employment in 2020
- Eligible to participate in the performance-based LTIP and a 2020 award of 300% of salary was granted as detailed on page 70

### Buyout award

In order to secure Tobias Moers's appointment and to allow him to join Aston Martin at the earliest opportunity, and as disclosed on appointment, the Committee agreed to buyout awards forfeited on leaving his previous employer. Accordingly, he was awarded €1,000,000, payable in cash 50% on joining Aston Martin and 50% on the first anniversary of his start date, subject to continued employment. In determining the value of this award, the Committee considered the value at that time of the outstanding awards that Tobias would forfeit, the relevant performance conditions and historical performance outcomes. The Committee considers the buyout award to be appropriate in light of the terms of the awards forfeited. The full value of this buyout award is included in the 2020 single figure of remuneration table as although the second payment is only payable in August 2021 and is subject to Tobias's continued employment, there are no other performance conditions attached to it.

The buyout award is subject to clawback provisions in the event that Tobias leaves the Company. Should he resign during his first year of appointment, he would have to repay the first 50% payment in full. Should he resign during his second year of appointment, he would have to repay a pro-rata amount of the second 50% payment, with the repayable amount decreasing by 1/12 of the total of the second payment for each complete additional month worked before his resignation.

### REMUNERATION FOR THE CFO (KENNETH GREGOR)

Kenneth Gregor's 2020 remuneration for his role as CFO (from 22 June 2020) is detailed below:

- Base salary of £425,000 reflecting his experience as a seasoned financial professional with a strong leadership track record gained from over 20 years in the automotive industry
- A pension allowance of 10.6% of salary (which is the maximum of 12% of salary with a deduction for an amount equal to the employer's NI) and other non-cash benefits in accordance with the Remuneration Policy
- Annual performance-based bonus opportunity of up to 150% of salary, pro-rata for period of 2020 service
- Eligible to participate in the performance-based LTIP, and a 2020 award of 200% of salary was granted as detailed on page 70

## FURTHER INFORMATION ON REMUNERATION FOR EXECUTIVE DIRECTORS WHO LEFT DURING THE YEAR

### REMUNERATION FOR THE PRIOR CEO (DR ANDY PALMER)

The single figure of remuneration table (on page 67) details the remuneration Dr Andy Palmer received for the period of 2020 that he served as an executive director. He stepped down as an executive director of the Company and as CEO on 25 May 2020. The following remuneration arrangements applied in connection with the termination of Dr Palmer's employment:

- Dr Palmer had a 12-month notice period which began on 25 May 2020. During his notice period he remains on garden leave and as such will be paid his normal salary and receive benefits.
- If Dr Palmer's employment ends prior to the expiry of his 12-month notice period, he will receive a payment in lieu of notice for his unserved notice period, calculated by reference to his base salary in respect of any unserved notice period, to be paid in equal monthly instalments over the relevant period and to be reduced if Dr Palmer were to find alternative employment within this period.
- Dr Palmer will not receive any bonus payment in respect of any part of 2020 or for any unserved notice period.
- Dr Palmer's 2019 LTIP award would lapse and he would not be granted any award in respect of 2020.
- In respect of the shares that Dr Palmer held pursuant to the grants he was made prior to the IPO under the Legacy IPO LTIP, the terms of that plan treated him as ceasing employment for a Good Reason so that all vested shares which had not yet been released to him would be released on their respective release dates. These shares were to be released to him on subsequent anniversaries of the IPO as follows: 347,026 shares released on 8 October 2020, 347,026 shares released on 8 October 2021 and 347,027 on 8 October 2022 (pre-December 2020 share consolidation numbers). Dr Palmer is committed to hold the shares acquired through the rights issue in April 2020 in respect of these shares on the same terms.
- It was agreed that Dr Palmer would maintain a shareholding with a value of 150% of his base salary for two years from the date he stepped down as a director.
- Dr Palmer would continue to be covered by the Company's D&O insurance and received a contribution towards his legal advice of £5,000 plus VAT.
- No payments for loss of office were paid to Dr Palmer.

### REMUNERATION FOR THE PRIOR CFO (MARK WILSON)

The single figure of remuneration table (on page 67) details the remuneration Mark Wilson received for the period of 2020 that he served as an executive director. He stepped down as CFO and as an executive director of the Company on 30 April 2020. Mr Wilson remained available to the Company to assist with the transition in the period through to 30 June 2020.

The following remuneration arrangements applied in connection with the termination of Mr Wilson's employment:

- Mr Wilson continued to be paid salary and received benefits as an employee in the period to 30 June 2020. In line with other Executive Committee members, Mr Wilson waived 20% of his base salary that he would otherwise have received in that period.
- Mr Wilson was entitled to 12 months' notice, and so he received a payment in lieu of notice for his unserved notice period calculated by reference to his base salary, to be paid in equal monthly instalments over the period to 27 February 2021 and to be reduced if Mr Wilson were to find alternative employment
- Mr Wilson would not receive any bonus payment in respect of 2019 or any part of 2020.
- Mr Wilson's 2019 LTIP award would lapse and he would not be granted any award in respect of 2020.
- In respect of the shares that Mr Wilson held pursuant to the grants he was made prior to the IPO under the Legacy IPO LTIP, he was treated as an Intermediate Leaver and so retained an entitlement to a time pro-rated number of shares. These shares were to be released to him on subsequent anniversaries of the IPO as follows: 41,927 shares released on 8 October 2020, 27,984 shares released on 8 October 2021 and 20,989 shares released on 8 October 2022 (pre-December 2020 consolidation numbers). Mr Wilson committed to hold any shares acquired through the rights issue in April 2020 in respect of these shares on the same terms.
- Other than shares that he has forfeited under the Legacy IPO LTIP, Mr Wilson was required to retain all those shares in the Company that he held as at 30 June 2020 for a period of two years until 30 June 2022.
- Mr Wilson would continue to be covered by the Company's D&O insurance and received a contribution towards his legal advice of £5,000 plus VAT.
- No payments for loss of office were paid to Mr Wilson.

## NON-EXECUTIVE DIRECTORS' REMUNERATION (AUDITED)

The Policy on remuneration for Non-Executive Directors is set out in the 2018 DRR (which can be found in the Annual Report FY 2018 at [www.astonmartinlagonda.com](http://www.astonmartinlagonda.com)).

The table below sets out the single figure of total remuneration received or receivable by the Non-Executive Directors in respect of FY 2020 (and the prior financial year). As noted in the Committee Chair's letter, the Non-Executive Directors waived 35% of their fees for a 3-month period from 1 April to 30 June 2020 and Michael di Picciotto waived his fee from appointment to 31 December 2020.

## DIRECTORS' REMUNERATION REPORT CONTINUED

Shown in £'000s	Total fees <sup>1</sup>
<b>Non-Executive Directors</b>	
<b>Amr AbouelSeoud</b>	
Year to 31 December 2020	55
Year to 31 December 2019 <sup>2</sup>	83
<b>Lord Matthew Carrington</b>	
Year to 31 December 2020 <sup>3</sup>	71
Year to 31 December 2019	85
<b>Peter Espenhahn</b>	
Year to 31 December 2020 <sup>4</sup>	71
Year to 31 December 2019	85
<b>Michael de Picciotto<sup>5</sup></b>	
Year to 31 December 2020	0
<b>Bill Tame<sup>6</sup></b>	
Year to 31 December 2020	39
<b>Former Non-Executive Directors</b>	
<b>Mahmoud Samy Mohamed Aly El Sayed</b>	
Year to 31 December 2020 <sup>7</sup>	50
Year to 31 December 2019 <sup>7</sup>	85
<b>Penny Hughes</b>	
Year to 31 December 2020 <sup>8</sup>	77
Year to 31 December 2019	350
<b>Dante Razzano</b>	
Year to 31 December 2020 <sup>9</sup>	19
Year to 31 December 2019 <sup>9</sup>	93
<b>Peter Rogers</b>	
Year to 31 December 2020 <sup>10</sup>	10
Year to 31 December 2019	83
<b>Richard Solomons</b>	
Year to 31 December 2020 <sup>11</sup>	34
Year to 31 December 2019	135
<b>Imelda Walsh</b>	
Year to 31 December 2020 <sup>7,12</sup>	29
Year to 31 December 2019	115
<b>Professor Tensie Whelan</b>	
Year to 31 December 2020 <sup>13</sup>	21
Year to 31 December 2019	75

Notes:

1. Total fees include basic fees and additional Committee Chair and membership fees
2. Amr AbouelSeoud was a member of the Remuneration Committee until 8 October 2019
3. Lord Carrington became Chair of the Remuneration Committee and a member of the Audit and Risk Committee and Nomination Committee on 23 May 2020
4. Peter Espenhahn became Chair of the Audit and Risk Committee and a member of the Remuneration Committee and Nomination Committee on 23 May 2020
5. Michael de Picciotto joined the Board on 24 April 2020 and elected to waive his fee for 2020
6. Bill Tame joined the Board and became a member of the Nomination Committee on 3 June 2020 and became a member of the Audit and Risk Committee and Remuneration Committee on 16 September 2020
7. Penny Hughes stepped down from the Board and as Chair from 20 April 2020
8. Mahmoud Samy Mohamed Aly El Sayed was a member of the Audit Committee until 8 October 2019 and became a member of the Nomination Committee from 8 October 2019. He stepped down from the Board from 12 November 2020
9. Dante Razzano was a member of the Remuneration Committee until 8 October 2019 and stepped down from the Board from 20 April 2020
10. Peter Rogers was a member of the Audit Committee until 8 October 2019 and sadly passed away in January 2020
11. Richard Solomons stepped down from the Board from 23 May 2020
12. Imelda Walsh stepped down from the Board from 23 May 2020
13. Tensie Whelan stepped down from the Board from 23 May 2020

## SUMMARY OF NON-EXECUTIVE DIRECTORS' FEES FOR FY 2021

The table below sets out the fee structure for the NEDs for 2021 (there are no changes to the fee levels that applied in 2020).

NED role	FY 2020 fee (£'000s)	FY 2021 fee (£'000s)
Non-Executive Chair of the Board*	270	<b>n/a</b>
Basic NED fee	60	<b>60</b>
SID fee	15	<b>15</b>
Committee Chair	15	<b>15</b>
Committee member	5	<b>5</b>

\* This was the annual fee for the Non-Executive Chair of the Board role and was paid to Penny Hughes until she stepped down on 20 April 2020. On the same date, Lawrence Stroll became Executive Chairman and elected to receive a nominal salary only, of £1 per annum and receives no other elements of remuneration.

## CHAIR AND NON-EXECUTIVE DIRECTOR SHAREHOLDINGS (AUDITED)

The table below summarises the total interests of the Chair and Non-Executive Directors (and their connected persons) in ordinary shares of Aston Martin Lagonda Global Holdings plc as at 31 December 2020 (or at the date of stepping down, if earlier).

	Total number of shares owned <sup>1</sup>
<b>Non-Executive Directors</b>	
Amr AbouelSeoud <sup>2</sup>	116,324
Lord Matthew Carrington	–
Peter Espenhahn	131
Michael de Picciotto <sup>3</sup>	769,285
Bill Tame	–
<b>Former Non-Executive Directors</b>	
Mahmoud Samy Mohamed Aly El Sayed <sup>4</sup>	196,477
Penny Hughes	1,500
Dante Razzano	1,315
Peter Rogers	–
Richard Solomons	131
Imelda Walsh	131
Tensie Whelan	–

### Notes:

1. There have been no changes in the period up to and including 24 February 2021 and all shares are shown adjusted for the share consolidation (of 14 December 2020)
2. Includes indirect interests through Venus Limited
3. The interests are those of a PCA, Saint James Invest SA which is also interested in warrants over 28,353 shares
4. Includes indirect interests through MSY Limited

## LETTERS OF APPOINTMENT

The Non-Executive Directors have letters of appointment. All Non-Executive Directors' appointments and subsequent re-appointments are subject to annual re-election at the AGM. Dates of the letters of appointment of the Non-Executive Directors as at the date of this report are set out in the table below.

Non-Executive Directors	Date of appointment	Notice period
Amr AbouelSeoud	7 September 2018	3 months
Lord Matthew Carrington	8 October 2018	3 months
Peter Espenhahn	8 October 2018	3 months
Robin Freestone	1 February 2021	3 months
Richard Parry Jones	1 February 2021	3 months
Michael de Picciotto	24 April 2020	1 month
Antony Sheriff	1 February 2021	3 months
Anne Stevens	1 February 2021	3 months
Stephan Unger	1 February 2021	1 month

The terms and conditions of appointment for Non-Executive Directors are available for inspection by shareholders at the registered office of the Company.

## REMUNERATION COMMITTEE IN FY 2020

### COMMITTEE MEMBERSHIP

The following Directors served as members of the Committee during FY 2020:

- Lord Matthew Carrington (Chair from 23 May 2020)
- Peter Espenhahn (from 23 May 2020)
- Bill Tame (from 16 September 2020)
- Imelda Walsh (until 23 May 2020, Chair until this date)
- Richard Solomons (until 23 May 2020)

### COMMITTEE REMIT

The Committee's Terms of Reference are published on [www.astonmartinlagonda.com](http://www.astonmartinlagonda.com).

In addition to setting the remuneration of the Executive Directors, the Committee continues to directly oversee the remuneration arrangements for the Executive Committee.

**SUMMARY OF MEETINGS**

The Committee typically meets four to six times a year. During FY 2020, the Committee met five times and the agenda items discussed at these meetings are summarised below.

Early February	<ul style="list-style-type: none"> <li>• Review of draft FY 2019 DRR</li> <li>• Consideration of 2020 remuneration approach</li> </ul>
Late February	<ul style="list-style-type: none"> <li>• Remuneration-related terms for outgoing CFO</li> <li>• FY 2019 annual bonus outcome</li> <li>• Consideration of FY 2020 remuneration approach</li> <li>• Impact of rights issue on 2019 LTIP</li> <li>• Gender Pay Gap report</li> <li>• Approval of FY 2019 DRR</li> </ul>
July	<ul style="list-style-type: none"> <li>• Executive Committee (non-Board level) leavers – remuneration-related terms</li> <li>• Update on 2020 incentives – proposed timing</li> <li>• Update on organisational restructure and COVID-19 response</li> </ul>
October	<ul style="list-style-type: none"> <li>• Executive Committee (non-Board level) changes</li> <li>• Approval of 2020 incentive approach (annual bonus and LTIP)</li> </ul>
December	<ul style="list-style-type: none"> <li>• Update on 2021 remuneration priorities and 2020 DRR reporting</li> <li>• Broader employee reward overview</li> </ul>

In addition, the full Board considered and approved remuneration arrangements for the incoming CEO and outgoing CEO in May 2020 and for the incoming CFO in June 2020.

**ADVICE TO THE COMMITTEE**

The Chair of the Board and members of the management team are invited to attend Committee meetings where appropriate, except when their own remuneration is being discussed. During the year the Executive Chairman and former Chair of the Board, current and former CEOs, current and former CFOs, VP and General Counsel, Company Secretary, Director of Reward and former Chief HR Officer attended meetings at the Committee's invitation.

The Committee has received independent advice on remuneration from Willis Towers Watson (WTW). WTW is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the Remuneration Consultants' Group Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice provided by WTW is independent and objective. WTW has no other connection with the Company. Total fees received by WTW in relation to remuneration advice provided that materially assisted the Committee during FY 2020 were £27,250, which had been charged on a time spent basis.

Freshfields also provided advice to the Committee in relation to the operation of the Company's share plans, employment law considerations and compliance with legislation.

**REMUNERATION VOTING RESULTS**

The table below shows the results of the shareholder votes at the 2020 AGM on the DRR and at the 2019 AGM on the Directors' Remuneration Policy.

AGM voting results	Votes for	Votes against	Votes withheld
2020 AGM: To approve the DRR for the year ending 31 December 2019	990,194,165 (99.98%)	163,423 (0.02%)	295,139
2019 AGM: To approve the Directors' Remuneration Policy	198,266,590 (93.39%)	14,022,935 (6.61%)	299

**APPROVAL**

This report has been approved by the Board and signed on its behalf by:

**LORD MATTHEW CARRINGTON**  
CHAIR, REMUNERATION COMMITTEE

24 February 2021

# DIRECTORS' REPORT

## ABOUT THE DIRECTORS' REPORT

The Directors' Report comprises the Governance section (pages 41 to 78), the Directors' Report (pages 79 to 84) and the Shareholder Information section (page 150). Other information that is relevant to the Directors' Report, and which is incorporated by reference into the Directors' Report, is disclosed as follows.

- Likely future developments of the Company (throughout the Strategic Report)
- Human rights (page 27)
- Greenhouse gas emissions (pages 25 and 26)
- Relationship with employees (pages 18 to 21)
- Disabled persons (page 79)
- Health and safety (page 21)
- Financial instruments (note 23)
- s.172 disclosure (page 22)
- Post balance sheet events (note 32)

## STRATEGIC REPORT

Aston Martin Lagonda Global Holdings plc is required by the Companies Act 2006 to prepare a Strategic Report that includes a fair review of the Company's business, the development and performance of the Company's business during the period, the position of the Company at the end of year ended 31 December 2020, and a description of the principal risks and uncertainties faced by the Company. The Strategic Report on pages 1 to 39 is incorporated by reference and shall be deemed to form part of this Directors' Report.

## RESULTS AND DIVIDEND

Revenue from the continuing business during the period amounted to £611.8m (2019\*: £980.5m). A review of the Group's consolidated results is set out from page 96.

\* 2019 was restated see note 2 of the Financial Statements for details.

It is the Directors' intention to retain the Group's cash flow to finance growth and to focus on delivery of its new business plan. The Directors intend to review, on an ongoing basis, the Company's dividend policy and will consider the payment of dividends as the Group's strategy matures, depending upon the Group's free cash flow, financial condition, future prospects and any other factors deemed by the Directors to be relevant at the time.

## GOING CONCERN

The going concern statements for the Group and Company are set out on pages 101 and 148 of the Financial Statements and are incorporated by reference and shall be deemed to be part of this Report.

## RESEARCH AND DEVELOPMENT

The Group spent £182m (2019: £226m) on research and development during the year. See note 4 to the Financial Statements.

## EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PEOPLE

The Group has policies on equal opportunities and the employment of disabled people which, through the application of fair employment practices, are intended to ensure that individuals are treated equitably and consistently regardless of age, race, creed, colour, gender, marital or parental status, sexual orientation, religious beliefs and nationality.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure their employment with the Group is continued and that the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not have a disability.

## HEALTH AND WELLBEING

The health and wellbeing of employees is central to operating an effective and successful business. The Group also relies on the health and stability of the communities in which it operates. The Group recognises its responsibility and the opportunity to make a positive contribution and is actively engaged with local areas to foster a sense of partnership with the Group.

The Group continues to educate employees on its approach to, and specific requirements of, human rights in business operations. In 2020, no human rights violations within the Group were reported, nor were any relevant reports received regarding the supply network.

The health and safety of its workforce, visitors and the local community is of paramount importance. The Group aims to be a centre of excellence and for the Aston Martin Health and Safety Management System to be aligned with best practice within the automotive industry. Further details are set out on page 21.

## TAX STRATEGY

The Group is committed to complying with its statutory obligations in relation to the payment of tax including full disclosure of all relevant facts to the appropriate tax authorities. In managing its tax affairs, the Group recognises its responsibilities as a taxpayer and the need to protect the corporate reputation inherent in the brand.

The Board has ultimate responsibility for the Group's tax strategy although the day-to-day management rests with the Executive Committee which comprises the senior operational personnel of the Group.

The Chief Financial Officer is the Executive Committee member with ultimate responsibility for tax matters and is the Senior Accounting Officer of the Group. The Chief Financial Officer advises the Board on the tax affairs and risks of the Group to ensure:

- the proper control and management of tax risk;
- the tax position is planned in line with the Group's strategic objectives;
- the tax charge is correctly stated in the statutory accounts and tax returns; and
- all tax compliance is completed in a timely manner to HMRC and other tax authorities.

Further information on the Group's tax strategy is available on the Company's website.

## ARTICLES OF ASSOCIATION

The Articles of Association set out the internal regulation of the Company and cover such matters as the rights of shareholders, the appointment or removal of Directors, and the conduct of the Board and general meetings. Copies are available from the Company Secretary. In accordance with the Articles of Association, directors can be appointed or removed by the Board or by shareholders in general meeting. Amendments to the Articles of Association must be approved by at least 75% of those voting in person or by proxy at a general meeting of the Company. Subject to UK company law and the Articles of Association, the directors may exercise all the powers of the Company, and may delegate authorities to committees, and may delegate day-to-day management and decision making to individual Executive Directors. Details of the Board Committees can be found on page 47.

The rules governing the appointment and removal of a Director are set out in the Articles of Association of the Company. Specific details relating to the significant shareholder groups and their right to appoint directors are set out on page 82.

## DIRECTORS

The names and details of the Directors as at the date of this Report are set out on pages 41 to 43.

The names of the individuals who became or ceased to be Directors during the year ended 31 December 2020 are set out below.

Name	Date of appointment	Date of cessation
Laurence Stroll (Executive Chairman)	20 April 2020	
Tobias Moers (CEO)	1 August 2020	
Kenneth Gregor (CFO)	22 June 2020	
Michael de Picciotto	24 April 2020	
William Tame	3 June 2020	
Penny Hughes	20 April 2020	
Dr. Andy Palmer	25 May 2020	
Mark Wilson	30 April 2020	
Richard Solomons	23 May 2020	
Mahmoud Samy Mohamed Aly El Sayed	12 November 2020	
Dante Razzano	20 April 2020	
Peter Rogers	28 January 2020	
Imelda Walsh	23 May 2020	
Professor Tensie Whelan	23 May 2020	

As stated elsewhere in the Annual Report, William Tame and Amr AbouelSeoud ceased to be Directors with effect from 27 January 2021 and 18 February 2021 respectively. Anne Stevens, Robin Freestone, Richard Parry-Jones, Antony Sheriff and Stephan Unger joined the Board with effect from 1 February 2021. Lord Matthew Carrington and Peter Espenhahn will not seek re-election at the Company's Annual General Meeting ("AGM") and will step down from the Board at the close of the meeting.

Kenneth Gregor, Tobias Moers, Anne Stevens, Robin Freestone, Richard Parry-Jones, Antony Sheriff and Stephan Unger will be offering themselves for election and all remaining members of the Board (excluding those individuals noted) will be offering themselves for re-election at the AGM.

## DIRECTORS' INSURANCE AND INDEMNITIES

The Company maintains directors' and officers' liability insurance, which gives cover for legal actions brought against its Directors and officers. Each Director of the Company also has the benefit of prospectus liability insurance which provides cover for liabilities incurred by Directors in the performance of their duties or powers in connection with the issue of the following documents (as applicable).

- The Company's prospectus dated 20 September 2018 in relation to the Company's listing on the premium listing segment of the Financial Conduct Authority's Official List and admission to trading on the Main Market for listed securities of the London Stock Exchange.
- the Company's combined prospectus and circular dated 27 February 2020 (together with the two supplementary prospectuses) in relation to the placing of ordinary shares and the rights issue.

No amount was paid under any of these indemnities or insurances during the year other than the applicable insurance premiums. In accordance with section 236 of the Companies Act 2006, qualifying third party indemnity provisions are in place for the Directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and indemnities applied throughout the year ended 31 December 2020 and up to the date of this Report.

## SHARE CAPITAL

Details of the issued share capital, together with details of movements in the issued share capital of the Company during the year, are shown in note 27. This is incorporated by reference and deemed to be part of this Report.

As at 31 December 2020, the Company had one class of ordinary shares which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The ordinary shares are listed on the premium listing segment of the Financial Conduct Authority's Official List and traded on the Main Market for listed securities of the London Stock Exchange. As at 31 December 2020, the Company had 114,933,587 ordinary shares of £0.10 in issue. The Company does not hold any shares in treasury.

Specific powers relating to the allotment and issuance of ordinary shares and the ability of the Company to purchase its own securities are included within the Articles and such authorities must be submitted for approval by the shareholders, at the AGM each year.

Following shareholder approval at the general meeting on 4 December 2020, the Company issued warrants granting rights to subscribe for up to 126,647,852 ordinary shares of £0.009039687 (or, following completion of the capital reorganisation on 14 December 2020, 6,332,393 ordinary shares of £0.10) in accordance with the terms of the warrant

instrument dated 7 December 2020. Warrants are exercisable during the period starting on 1 July 2021 and ending on 7 December 2027. The warrant instrument sets out the rights of warrantholders, including the right to receive shareholder documents and notifications and the right to requisition the Company to convene a meeting of warrantholders. Further information on the warrants is set out in the Combined Prospectus and Circular dated 18 November 2020.

Dividend waivers are in place in respect of shares issued but not allocated under the Legacy IPO LTIP.

## SHAREHOLDERS' RIGHTS

Holders of ordinary shares have the rights accorded to them under UK company law, including the rights to receive the Company's Annual Report and Accounts, attend and speak at general meetings (subject to certain restrictions in light of the COVID-19 pandemic), appoint proxies and exercise voting rights. No shareholder holds ordinary shares carrying special rights relating to the control of the Company and, other than as previously publicly disclosed in relation to the Yew Tree Consortium, the voting rights of which are exercised in accordance with instructions of Lawrence Stroll, the Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on voting rights.

## RESTRICTIONS ON TRANSFER OF ORDINARY SHARES

The Articles do not contain any restrictions on the transfer of ordinary shares in the Company other than the usual restrictions applicable where any amount is unpaid on a share. All issued share capital of the Company at the date of this Annual Report is fully paid. Certain restrictions are also imposed by laws and regulations (such as insider trading and marketing requirements relating to closed periods) and requirements of the Market Abuse Regulation whereby Directors and certain employees of the Company require prior approval to deal in the Company's securities.

Under the Strategic Cooperation Agreement (as defined below), MBAG (as defined below) has agreed not to dispose of any consideration shares issued and to be issued to it pursuant to the Strategic Cooperation Agreement until the earlier of: (i) 365 days after the date of admission of all such consideration shares to listing on the Official List of the Financial Conduct Authority and to trading on the Main Market for listed securities of the London Stock Exchange; (ii) the termination of the Strategic Cooperation Agreement; and (iii) 31 December 2023, subject to the exceptions set out in the Combined Prospectus and Circular dated 18 November 2020.

## SUBSTANTIAL SHAREHOLDINGS

The Company has received notifications of major interests in its issued ordinary share capital in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules. Details of the position as at the end of the financial year are as follows:

Shareholder	Number of ordinary shares <sup>1</sup>	% of total voting rights
Lawrence Stroll	24,799,964 <sup>2</sup>	21.58%
Yew Tree Overseas Ltd	19,375,559	16.86%
Mercedes-Benz AG	13,615,299	11.85%
Adeem/Primewagon Shareholder Group	8,398,767 <sup>3</sup>	7.31%
Invesco Limited	5,215,730	4.54%
Permian Investment Partners, LP	3,454,018	3.01%

1 Where the disclosure was made prior to 14 December 2020 (the effective date of the Share Consolidation), the Company has recalculated the number of shares to reflect the disclosed interest in ordinary shares of £0.10 each.

2 Includes 19,375,559 shares also disclosed by Yew Tree Overseas Ltd.

3 As per the Combined Prospectus and Circular dated 18 November 2020.

In the period from 1 January 2021 to 24 February 2021, there have been no changes notified to the Company in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules to the holdings as disclosed above.

## SIGNIFICANT CONTRACTS – CHANGE OF CONTROL

At 31 December 2020, the Group had a Revolving Credit Facility of £87m which contains a change of control clause. The Group also had US\$1,085.5m of 10.50% Senior Secured Notes due 2025, and US\$335m Second Lien Split Coupon Notes which contain change of control provisions. In aggregate, these financing arrangements are considered significant to the Group and, in the event of a takeover (i.e. a change of control) of the Company, the amounts outstanding under the Revolving Credit Facility may be cancelled or become immediately payable and the holders of the Senior Secured Notes and Second Lien Notes may require the Group to repurchase their notes.

All the Company's share plans contain provisions relating to a change of control. In the event of a change of control or winding up of the Company (other than an internal reorganisation), LTIP awards will vest subject to the extent to which the performance conditions have been satisfied. Pro-rating for service will apply unless the Remuneration Committee decides otherwise. Outstanding deferred bonus awards will vest in full as soon as practicable.

In the event of an internal corporate reorganisation, deferred bonus and LTIP awards may (with consent from any acquiring company) be replaced by equivalent awards. Alternatively, the Remuneration Committee may decide that deferred bonus and LTIP awards will vest as in the case of a change of control described above.

In the event of a demerger, special dividend or other corporate event that will materially impact the share price the Committee may, at its discretion, allow deferred bonus and LTIP awards to vest on the same basis as for a change of control as described above. Alternatively, an adjustment may be made to the number of shares if considered appropriate.

The Company currently has two groups of significant shareholders, namely the Yew Tree Consortium and Mercedes-Benz AG ("MBAG"). The relationship between the Company and each of these significant shareholder groups is governed by two separate relationship agreements. The purpose of these relationship agreements is to ensure that the Company can carry on its business independently and for the benefit of shareholders as a whole.

The relationship agreements also provide that the Company will not take any action in relation to certain significant matters without the prior approval of at least two-thirds of the members of the Board present and entitled to vote. The relationship agreements will terminate upon the relevant significant shareholder group ceasing to have the entitlement to exercise a minimum percentage of the voting rights in the Company or the Company's shares ceasing to be admitted to the Official List of the Financial Conduct Authority and traded on the Main Market for listed securities of the London Stock Exchange.

Each of the relationship agreements provides that each significant shareholder group is entitled to nominate director(s) to the Board and the Nomination Committee and an observer to the Remuneration and Audit and Risk Committees, subject to the size of its respective interest in the voting rights of the Company as set out below:

Significant shareholder group	% of voting rights to nominate 2 Directors	% of voting rights to nominate 1 Director	% of voting rights to nominate 1 Director as a member of the Nomination Committee and an observer to the Remuneration and Audit and Risk Committees
Yew Tree Consortium	10% or above	Between 7% and 10%	7%
Mercedes-Benz AG	15% or above	Between 7.5% and 15%	7.5%

On 27 October 2020, the Company announced that it had entered into an enhanced strategic cooperation arrangement (the "Strategic Cooperation Agreement") with one of its existing shareholders, MBAG. Under the Strategic Cooperation Agreement, the Company has agreed, over the period of time between December 2020 and the first quarter of 2023 and in several tranches, to issue 458,942,744 ordinary shares of £0.009039687 each (22,947,138 ordinary shares of £0.10 each following the share consolidation) to MBAG in exchange for access to certain technology and intellectual property to be provided to the Company by MBAG in several stages. The first tranche of 224,657,287 ordinary shares of £0.009039687 each (11,232,864 ordinary shares of £0.10 each following the share consolidation) has been issued to MBAG on 7 December 2020. Further details of the terms of the Strategic Cooperation Agreement are set out in the Combined Prospectus and Circular dated 18 November 2020.

In addition to the terms agreed in the Strategic Cooperation Agreement, the Group has a long-standing technical partnership with Daimler for the provision of engines, electrical architecture and entertainment systems. This partnership began in 2013, when Daimler became one of Aston Martin Holdings (UK) Limited's shareholders. The agreements governing this relationship contain provisions that provide that where a strategic Daimler competitor or one of its affiliates acquires an interest in the Group, Daimler is entitled to terminate these operational agreements on three years' prior notice.

## TRANSACTIONS WITH RELATED PARTIES

During the year ended 31 December 2020, the significant shareholder groups agreed to subscribe for shares in the Company as follows:

Significant Shareholder Group	Number of Shares	
	June 2020 Placing	October 2020 Placing
Yew Tree Consortium	75,999,277	40,000,000
Adeem/PW shareholder group <sup>1</sup>	9,000,000	None
Prestige/SEIG shareholder group <sup>2</sup>	23,662,788	N/A

- 1 The Adeem/PW shareholder group ceased to be a related party for the purposes of the Listing Rules during the year ended 31 December 2020.
- 2 The Prestige/SEIG shareholder group ceased to be a related party for the purposes of the Listing Rules during the year ended 31 December 2020.

Other related party transactions are detailed in note 31.

## POLITICAL DONATIONS

It is the Company's policy not to make political donations and no such political donations were made during the period since the IPO. In line with 2020 and reflecting the practice of many other London-listed companies, the Board will be seeking shareholder approval for political donations at the forthcoming AGM. This is a precautionary measure, for the Company and its subsidiaries to be able to make donations and/or incur expenditure which may be construed as "political" by the wide definition of that term included in the relevant legislation. Further details are provided in the Notice of this year's AGM.

**DISCLOSURE TABLE PURSUANT TO LISTING  
RULE LR9.8.4R**

In accordance with LR 9.8.4R, the table below sets out the location of the information required to be disclosed, where applicable.

Applicable sub-paragraph within LR 9.8.4R	Page(s)
(1) Interest capitalised by the Group	n/a
(2) Unaudited financial information	n/a
(4) Long-term incentive scheme only involving a Director	n/a
(5) Directors' waivers of emoluments	64
(6) Directors' waivers of future emoluments	n/a
(7) Non pro-rata allotments for cash (issuer)	139
(8) Non pro-rata allotments for cash (major subsidiaries)	n/a
(9) Listed company is a subsidiary of another company	n/a
(10) Contracts of significance involving a Director	50
(11) Contracts of significance involving a controlling shareholder	n/a
(12) Waivers of dividends	n/a
(13) Waivers of future dividends	81
(14) Agreement with a controlling shareholder	n/a

**NON-FINANCIAL INFORMATION STATEMENT**

The pages referenced in the table below provide information as required by section 414CB of the Companies Act.

Non-financial information	Section(s)	Page
Environmental matters	Responsibility	24
Employees	People and Stakeholder Engagement	18
Social matters	Responsibility	24
	People and Stakeholder Engagement	18
Human rights	Responsibility	27
Anti-bribery and anti-corruption	Risk and Viability Report	37
	Responsibility	27
Business model	Business Model	10
Non-financial KPIs	Key Performance Indicators	17
Principal risks	Risk and Viability Report	33

**DISCLOSURE OF INFORMATION TO THE COMPANY'S AUDITOR**

Each person who is a Director at the date of approval of this report and of the Financial Statements confirms that:

- (i) so far as such Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (ii) such Director has taken all the steps that they ought to have taken as a Director, in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Strategic Report (from pages 1 to 39) and the Directors' Report (as described on page 79) have been approved by the Board on 24 February 2021.

By order of the Board

**CATHERINE SUKMONOWSKI**  
COMPANY SECRETARY  
AND DIRECTOR OF GOVERNANCE

24 FEBRUARY 2021

Aston Martin Lagonda Global Holdings Plc  
Registered Office:  
Banbury Road, Gaydon  
Warwick CV35 0DB

Registered in England and Wales Registered number:  
11488166

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report which includes the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the Group and parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected to prepare the parent Company Financial Statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework. Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, group Financial Statements are required to be prepared in accordance with international financial reporting standards (IFRSs) adapted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group Financial Statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- for the parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company Financial Statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that Financial

Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on pages 41 to 43, confirm that, to the best of their knowledge:

- that the consolidated Financial Statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

These statements were approved by the Board on 24 February 2021 and signed on its behalf by

**TOBIAS MOERS**  
CHIEF EXECUTIVE OFFICER

**KENNETH GREGOR**  
CHIEF FINANCIAL OFFICER

## FINANCIAL STATEMENTS

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# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASTON MARTIN LAGONDA GLOBAL HOLDINGS PLC

## OPINION

In our opinion:

- Aston Martin Lagonda Global Holdings plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Aston Martin Lagonda Global Holdings (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise:

Group	Parent company
Consolidated statement of financial position as at 31 December 2020	Balance sheet as at 31 December 2020
Consolidated statement of comprehensive income for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 6 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 34 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- Understanding and walking through management's process for and controls related to assessing going concern including discussion with management to ensure all key factors were taken into account;
- Obtaining management's going concern assessment, which covers the period to 30 June 2022, and which includes details of facilities available, forecast covenant calculations, and the results of management's scenario planning, and testing its efficacy including clerical accuracy;
- Confirming to the debt agreements both the maturity profile of the debt and the covenants that are required to be met within the going concern period;
- Assessing the reasonableness of forecasts underpinning the going concern model which are based on the Board-approved budget and the Board-approved strategic plan;
- Understanding how these forecasts reflect the impact of COVID-19;
- Analysing the historical accuracy of budgets to actual results to determine whether forecast cash flows are reliable based on past experience;
- Comparing management's forecasts to actual results through the subsequent events period and performing inquiries to the date of this report;
- Considering external factors including reliance on suppliers, recoverability of debtors, employees' ability to continue to work safely, and the threat of potential litigations and claims;

- Considering the downside scenario identified by management in their assessment on page 39, assessing whether there are any other scenarios which should be considered, and assessing whether the quantum of the impact of the downside scenario in the going concern period is realistic;
- Performing reverse stress testing on the going concern model by understanding what reduction in wholesale volumes would be required before covenants are breached. This included comparing this to the downside scenario contemplated by management and considering the likelihood of the events required to breach the covenants, given covenants would be breached prior to liquidity being exhausted;
- Evaluating the Group's ability to undertake mitigating actions should it experience a severe downside scenario, considering likely achievability of both timing and quantum particularly with respect to constraining capital spending if required; and
- Assessing the going concern disclosures in the financial statements to ensure they are in accordance with International Financial Reporting Standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for the period to 30 June 2022 from when the financial statements are authorised for issue.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

## OVERVIEW OF OUR AUDIT APPROACH

Audit scope	<ul style="list-style-type: none"> <li>• We performed an audit of the complete financial information of five components and audit procedures on specific balances for a further one component.</li> <li>• The components where we performed full or specific audit procedures accounted for 99% of Gross Margin, 100% of Revenue and 100% of Total assets.</li> </ul>
Key audit matters	<ul style="list-style-type: none"> <li>• Revenue recognition, specifically; <ul style="list-style-type: none"> <li>• There is a risk that revenue is overstated due to errors in cut-off, including bill and hold arrangements; and</li> <li>• There is also a risk of overstatement of revenue through inappropriate manual journal entries.</li> </ul> </li> <li>• Capitalisation and amortisation of development costs</li> <li>• Impairment of capitalised development costs</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>• Overall Group materiality of £2.2m which represents 2% of Gross Margin.</li> </ul>

## AN OVERVIEW OF THE SCOPE OF THE PARENT COMPANY AND GROUP AUDITS

### TAILORING THE SCOPE

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 7 reporting components of the Group, we selected 6 components covering entities within the UK, America, Japan and China, which represent the principal business units within the Group.

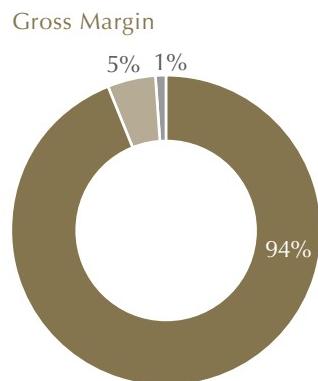
Of the 6 components selected, we performed an audit of the complete financial information of 5 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining one component ("specific scope component"), we performed audit procedures on specific accounts within that component that

we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

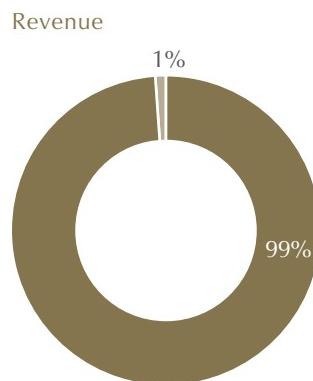
The reporting components where we performed audit procedures accounted for 99% of the Group's Gross Margin (2019: 100% of the Groups Adjusted EBITDA, the basis for materiality in the prior year), 100% (2019: 100%) of the Group's Revenue and 100% (2019: 100%) of the Group's Total assets. For the current year, the full scope components contributed 94% of the Group's Gross Margin (2019: 97% of the Groups Adjusted EBITDA), 99% (2019: 96%) of the Group's Revenue and 100% (2019: 94%) of the Group's Total assets. The specific scope component contributed 5% of the Group's Gross Margin (2019: 3% of the Groups Adjusted EBITDA), 1% (2019: 4%) of the Group's Revenue and 0% (2019: 6%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage for the Group.

With respect to the remaining one component that represents 1% of the Group's Gross Margin, we performed other procedures, including analytical review to respond to any potential risks of material misstatement to the Group financial statements.

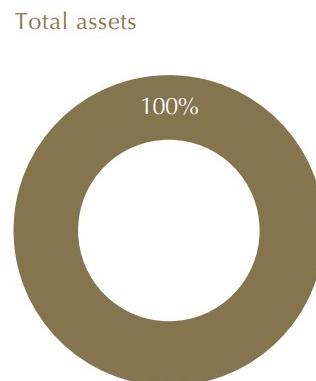
The charts below illustrate the coverage obtained from the work performed by our audit teams.



- Full scope components
- Specific scope components
- Other procedures



- Full scope components
- Specific scope components
- Other procedures



- Full scope components
- Specific scope components
- Other procedures

#### CHANGES FROM THE PRIOR YEAR

One component designated as specific scope in the prior year was classified as full scope in the current year as a result of an increase in the level of contribution to the groups' gross margin.

#### INVOLVEMENT WITH COMPONENT TEAMS

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 5 full scope components, audit procedures were performed on 3 of these directly by the primary audit team. For the components not audited by the primary audit team we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole. For the one specific scope component, audit procedures were performed directly by the primary audit team.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor or his designate visits all full and specific scope components. In FY 2020, these visits were conducted virtually due to the COVID-19 pandemic. During the current year's audit cycle, virtual visits were undertaken by the primary audit team to the component teams in the UK and China. These virtual sessions involved meeting with our local component teams to discuss and direct their audit approach, understanding the significant audit findings in response to the key audit matters and reviewing key audit working papers.

Specifically, in addressing the impact of COVID-19 government restrictions and safe working protocols on our audit, we interacted regularly with the component teams during various stages of the audit. We ensured they had adequate time and resources to complete the audit procedures, reviewed working papers in significant risk areas and were responsible for the scope and direction of the audit process. All components except for one performed inventory observations in person. For the component which performed inventory observations virtually, we designed our observation procedures in conjunction with the component team to address the additional risks presented in a virtual count. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

#### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<b>Revenue Recognition (£611.8m, 2019: £980.5m)</b>	<ul style="list-style-type: none"> <li>• We confirmed the existence and the design effectiveness of controls within the sales process, paying particular attention to those around cut-off and bill and hold transactions.</li> <li>• For a sample we considered the terms per the contracts and deliveries to ensure revenue has been recognised in accordance with IFRS 15 and is recorded in the correct period.</li> <li>• For a sample of bill and hold sales we have confirmed the vehicle was completed before year end by obtaining the signed quality check documentation. For that sample we also confirmed the transfer of control had occurred by obtaining the customer requests to hold the vehicles on their behalf.</li> <li>• For a sample of bill and hold sales we have confirmed the transaction directly with the third party dealer.</li> <li>• We performed physical verification on the finished vehicles and agreed these to either the inventory or the bill and hold listings. We ensured the manufacturing process was complete for each vehicle and that the vehicle was not double counted in revenue and inventory.</li> <li>• We performed cut-off testing by tracing a sample of transactions around the period end to third party delivery note documentation.</li> <li>• We performed data analytical procedures of the double entries in the general ledger to test the postings from Revenue to Cash, correlating the cash conversion of sales. We investigated and obtained evidence for any unusual items identified.</li> <li>• We performed journal testing procedures to identify unusual journal entry postings. We obtained audit evidence for unusual and/or material revenue journals.</li> <li>• We performed full and specific scope audit procedures over this risk area in four locations, which covered 100% of the risk amount.</li> </ul>	<p>Our audit procedures did not identify evidence of material misstatements in revenue recognition arising from the risk of cut-off, bill and hold or management override through journal entries.</p>
<b>Capitalisation and amortisation of development costs (Net book value of development costs: £784.1m, 2019: £769.5m)</b>	<ul style="list-style-type: none"> <li>• We confirmed the existence and the design effectiveness of controls around the intangibles process and in particular around the approval of capitalised development expenditure.</li> <li>• For a sample of costs capitalised we confirmed that the costs incurred were; capitalised against the correct project; measured correctly; eligible for capitalisation, and the timing of the expense capitalisation was appropriate.</li> <li>• For a sample of projects we compared the actual spend against the budgeted spend to ensure the projects continue to meet the IAS 38 criteria for capitalisation and remain commercially viable.</li> <li>• For capitalised development costs we confirmed the amortisation period was aligned to the period over which commercial benefits are expected to be received and is consistent with the groups business plan.</li> <li>• We considered the appropriateness of the amount/percentage of costs which are transferred between models as a result of the carry over carry across principle ('COCA').</li> <li>• We recalculated the amortisation recognised to confirm this was in line with expectations.</li> <li>• We performed journal testing procedures to identify unusual journal entry postings. We obtained audit evidence for any unusual and/or material journals related to capitalised development costs.</li> <li>• We performed full and specific scope audit procedures over this risk area in two locations, which covered 100% of the risk amount.</li> </ul>	<p>Our audit procedures did not identify evidence of material misstatement in the amounts of development costs capitalised in the year or through inappropriate manual journal entries.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<b>Impairment of capitalised development costs (Net book value of development costs: £784.1m, 2019: £769.5m)</b>	<p>Refer to the Audit Committee Report (page 56); Accounting policies (page 101); and Note 14 of the Consolidated Financial Statements (page 118)</p> <p>There is a risk that the value of development costs is not supported by the future forecast cashflows from the sale of vehicles to which the costs relate.</p> <ul style="list-style-type: none"> <li>• We have examined management's methodology and impairment models for assessing the recoverability of the capitalised development costs to understand the composition of management's future cash flow forecasts, and the process undertaken to prepare them. This includes confirming the underlying cash flows are consistent with the Board approved business plan.</li> <li>• We have re-performed the calculations in the model to test the mathematical integrity.</li> <li>• We have assessed the discount rate used by obtaining the underlying data used in the calculation and benchmarking it against comparable organisations and market data with the support of our valuation specialists.</li> <li>• We have analysed the historical accuracy of budgets to actual results to determine whether forecast cash flows are reliable based on past experience.</li> <li>• We calculated the degree to which the key assumptions would need to fluctuate before an impairment arose and considered the likelihood of this occurring.</li> <li>• Where changes have been made to the development programmes following completion of the Strategic Cooperation Agreement with Mercedes-Benz AG, we met with the Project Leads to understand the impact of the new technology on the development programmes.</li> <li>• We have audited the disclosures in respect of impairment of capitalised development costs with reference to the requirements of IAS 36 and IAS 1 and confirmed their consistency with the audited impairment models.</li> <li>• We performed full and specific scope audit procedures over this risk area in two locations, which covered 100% of the risk amount.</li> </ul>	Our year end audit procedures did not identify evidence of material misstatement regarding the carrying value of capitalised development costs or the impairment charge recognised in the year.

## OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### MATERIALITY

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Group to be £2.2 million (2019: £2.6 million), which is 2% of Gross Margin (2019: 1.9% of Adjusted EBITDA). We believe that Gross Margin provides us with an appropriate basis for materiality given the results of the year. The materiality basis has changed from Adjusted EBITDA in the prior year to Gross Margin in the current year as the Group Adjusted EBITDA is a loss in the current year.

We determined materiality for the Parent Company to be £13.9 million (2019: £5.5 million), which is 1% (2019: 1% of Equity).

During the course of our audit, we reassessed initial materiality and updated this for actual results.

### PERFORMANCE MATERIALITY

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2019: 50%) of our planning materiality, namely £1.1m (2019: £1.3m). We have set performance materiality at this percentage due to the level of audit adjustments identified in the prior period.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.24m to £1.1m (2019: £0.26m to £1.3m).

**REPORTING THRESHOLD**

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.11m (2019: £0.13m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

**OTHER INFORMATION**

The other information comprises the information included in the annual report set out on pages 1 to 150, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

**CORPORATE GOVERNANCE STATEMENT**

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 79;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 39;
- Directors' statement on fair, balanced and understandable set out on page 85;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 39;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 60; and;
- The section describing the work of the audit committee set out on page 57

## RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 85, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union, FRS 101, the Companies Act 2006 and UK Corporate Governance Code). In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to health and safety and employee matters.
- We understood how Aston Martin Lagonda Global Holdings plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management and internal audit to understand where they considered there was susceptibility to fraud. We also considered performance targets and the potential incentives or opportunities to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved understanding management's internal controls over compliance with laws and regulations; enquiries of legal counsel, Group management, internal audit, and full and specific scope management; reviewing internal audit reports and whistleblowing summaries provided to the Audit Committee and performing focused testing, as referred to in the key audit matters section above.

- Specific enquiries were made with the component teams to confirm any non-compliance with laws and regulations and this was reported through their audit deliverables based on the procedures detailed in the previous paragraph. Further, the Group team communicated any instances of non-compliance with laws and regulations to component teams through regular interactions with local EY teams. There were no significant instances of non-compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

#### OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- Following the recommendation from the audit committee we were appointed by the company on 24 July 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is two years, covering the years ending 2019 to 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee

#### USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**SIMON O'NEILL (SENIOR STATUTORY AUDITOR)**  
FOR AND ON BEHALF OF ERNST & YOUNG LLP,  
STATUTORY AUDITOR

Birmingham  
24 February 2021

# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Adjusted £m	Adjusting items** £m	Total £m	Adjusted £m	Adjusting items** £m	Total £m
				2020		2019 restated *	
<b>Revenue</b>	3	<b>611.8</b>	–	<b>611.8</b>	980.5	–	980.5
Cost of sales		(500.7)	–	(500.7)	(642.7)	–	(642.7)
<b>Gross profit</b>		<b>111.1</b>	–	<b>111.1</b>	337.8	–	337.8
Selling and distribution expenses		(79.6)	–	(79.6)	(95.0)	–	(95.0)
Administrative and other operating expenses		(256.4)	(98.0)	(354.4)	(233.7)	(42.1)	(275.8)
Other expense	5	–	–	–	(19.0)	–	(19.0)
<b>Operating loss</b>	4	<b>(224.9)</b>	<b>(98.0)</b>	<b>(322.9)</b>	(9.9)	(42.1)	(52.0)
Finance income	8	<b>33.1</b>	<b>6.9</b>	<b>40.0</b>	16.3	–	16.3
Finance expense	9	<b>(107.6)</b>	<b>(75.5)</b>	<b>(183.1)</b>	(77.3)	(6.6)	(83.9)
<b>Loss before tax</b>		<b>(299.4)</b>	<b>(166.6)</b>	<b>(466.0)</b>	(70.9)	(48.7)	(119.6)
Income tax credit/(charge)	10	<b>22.6</b>	<b>32.9</b>	<b>55.5</b>	(6.8)	8.8	2.0
<b>Loss for the year</b>		<b>(276.8)</b>	<b>(133.7)</b>	<b>(410.5)</b>	(77.7)	(39.9)	(117.6)
<b>(Loss)/profit attributable to:</b>							
Owners of the Group					<b>(419.3)</b>		(126.4)
Non-controlling interests					<b>8.8</b>		8.8
					<b>(410.5)</b>		(117.6)
<b>Other comprehensive income</b>							
<b>Items that will never be reclassified to the Income Statement</b>							
Remeasurement of defined benefit liability	26				<b>(59.1)</b>		(1.4)
Taxation on items that will never be reclassified to the Income Statement	10				<b>12.3</b>		0.2
<b>Items that are or may be reclassified to the Income Statement</b>							
Foreign exchange translation differences					<b>0.8</b>		(2.7)
Fair value adjustment – cash flow hedges	23				<b>6.6</b>		9.0
Amounts reclassified to the Income Statement – cash flow hedges	23				<b>9.7</b>		15.6
Taxation on items that may be reclassified to the Income Statement	10				<b>(3.1)</b>		(3.4)
Other comprehensive (loss)/income for the year, net of income tax					<b>(32.8)</b>		17.3
<b>Total comprehensive loss for the year</b>					<b>(443.3)</b>		(100.3)
<b>Total comprehensive (loss)/income for the year attributable to:</b>							
Owners of the Group					<b>(452.1)</b>		(109.1)
Non-controlling interests					<b>8.8</b>		8.8
					<b>(443.3)</b>		(100.3)
<b>Earnings per ordinary share</b>							
Basic loss per share	12				<b>(543.0p)</b>		(290.6p)
Diluted loss per share	12				<b>(543.0p)</b>		(290.6p)

All operations of the Group are continuing.

\* Detail on the restatement of the comparative period is disclosed in note 2 and the impact on Earnings Per Share in note 12.

\*\* Adjusting items are defined in note 2 with further detail shown in note 6.

The notes on pages 101 to 145 form an integral part of the Financial Statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Share Capital	Share Premium	Merger Reserve	Capital Redemption Reserve	Capital Reserve	Translation Reserve	Hedge Reserves	Retained Earnings	Non-controlling Interest	Total Equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>At 1 January 2020</b>	<b>2.1</b>	<b>352.3</b>	<b>–</b>	<b>–</b>	<b>6.6</b>	<b>(0.4)</b>	<b>(2.3)</b>	<b>(42.8)</b>	<b>14.1</b>	<b>329.6</b>
<b>Total comprehensive loss for the year</b>										
(Loss)/profit for the year	–	–	–	–	–	–	–	(419.3)	8.8	(410.5)
<b>Other comprehensive income</b>										
Foreign currency translation differences	–	–	–	–	–	0.8	–	–	–	0.8
Fair value movement – cash flow hedges (note 23)	–	–	–	–	–	–	6.6	–	–	6.6
Amounts reclassified to the Income Statement – cash flow hedges (note 23)	–	–	–	–	–	–	9.7	–	–	9.7
Remeasurement of defined benefit liability (note 26)	–	–	–	–	–	–	–	(59.1)	–	(59.1)
Tax on other comprehensive income (note 10)	–	–	–	–	–	–	(3.1)	12.3	–	9.2
<b>Total other comprehensive (loss)/income</b>						<b>0.8</b>	<b>13.2</b>	<b>(46.8)</b>		<b>– (32.8)</b>
<b>Total comprehensive (loss)/income for the year</b>						<b>0.8</b>	<b>13.2</b>	<b>(466.1)</b>	<b>8.8</b>	<b>(443.3)</b>
<b>Transactions with owners, recorded directly in equity</b>										
Issue of ordinary shares (note 27)	18.7	755.9	144.0	–	–	–	–	–	–	918.6
Capital reduction	(9.3)	–	–	9.3	–	–	–	–	–	–
Credit for the year under equity settled share-based payments (note 29)	–	–	–	–	–	–	–	4.2	–	4.2
Dividend paid to non-controlling interest (note 11)	–	–	–	–	–	–	–	–	(6.6)	(6.6)
Tax on items credited to equity (note 10)	–	–	–	–	–	–	–	1.6	–	1.6
<b>Total transactions with owners</b>	<b>9.4</b>	<b>755.9</b>	<b>144.0</b>	<b>9.3</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5.8</b>	<b>(6.6)</b>	<b>917.8</b>
<b>At 31 December 2020</b>	<b>11.5</b>	<b>1,108.2</b>	<b>144.0</b>	<b>9.3</b>	<b>6.6</b>	<b>0.4</b>	<b>10.9</b>	<b>(503.1)</b>	<b>16.3</b>	<b>804.1</b>

FINANCIAL STATEMENTS CONTINUED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share Capital	Share Premium	Merger Reserve	Capital Reserve	Translation Reserve	Hedge Reserves	Retained Earnings	Non-controlling Interest	Total Equity
Group	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2019	2.1	352.3	–	6.6	2.3	(23.5)	97.2	10.2	447.2
Correction of errors	–	–	–	–	–	–	(16.1)	–	(16.1)
<b>At 1 January 2019 restated *</b>	<b>2.1</b>	<b>352.3</b>	<b>–</b>	<b>6.6</b>	<b>2.3</b>	<b>(23.5)</b>	<b>81.1</b>	<b>10.2</b>	<b>431.1</b>
<b>Total comprehensive loss for the year</b>									
(Loss)/profit for the year *	–	–	–	–	–	–	(126.4)	8.8	(117.6)
<b>Other comprehensive income</b>									
Foreign currency translation differences	–	–	–	–	(2.7)	–	–	–	(2.7)
Fair value adjustment on cash flow hedges (note 23)	–	–	–	–	–	9.0	–	–	9.0
Amounts reclassified to the Income Statement – cash flow hedges (note 23)	–	–	–	–	–	15.6	–	–	15.6
Remeasurement of defined benefit liability (note 26)	–	–	–	–	–	–	(1.4)	–	(1.4)
Tax on other comprehensive income (note 10)	–	–	–	–	–	(3.4)	0.2	–	(3.2)
<b>Total other comprehensive income/(loss)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(2.7)</b>	<b>21.2</b>	<b>(1.2)</b>	<b>–</b>	<b>17.3</b>
<b>Total comprehensive income/(loss) for the year*</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(2.7)</b>	<b>21.2</b>	<b>(127.6)</b>	<b>8.8</b>	<b>(100.3)</b>
<b>Transactions with owners, recorded directly in equity</b>									
Credit for the year under equity settled share-based payments (note 29)	–	–	–	–	–	–	3.7	–	3.7
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	(4.9)	(4.9)
Tax on items credited to equity (note 10)	–	–	–	–	–	–	–	–	–
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3.7</b>	<b>(4.9)</b>	<b>(1.2)</b>
<b>At 31 December 2019*</b>	<b>2.1</b>	<b>352.3</b>	<b>–</b>	<b>6.6</b>	<b>(0.4)</b>	<b>(2.3)</b>	<b>(42.8)</b>	<b>14.1</b>	<b>329.6</b>

\* Detail on the restatement is disclosed in note 2.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

	Notes	31 December 2020 £m	31 December 2019 restated* £m	1 January 2019 restated* £m
<b>Non-current assets</b>				
Intangible assets	13	<b>1,336.8</b>	1,183.6	1,071.7
Property, plant and equipment	15	<b>389.6</b>	350.5	313.0
Right-of-use lease assets	16	<b>71.4</b>	81.8	82.5
Trade and other receivables	18	<b>0.9</b>	1.8	1.8
Other financial assets	20	<b>0.1</b>	0.2	–
Deferred tax asset	10	<b>106.5</b>	45.7	32.7
		<b>1,905.3</b>	1,663.6	1,501.7
<b>Current assets</b>				
Inventories	17	<b>207.4</b>	200.7	165.3
Trade and other receivables	18	<b>177.9</b>	249.7	240.1
Income tax receivable		<b>0.2</b>	0.3	0.8
Other financial assets	20	<b>14.6</b>	8.9	0.1
Cash and cash equivalents	19	<b>489.4</b>	107.9	144.6
		<b>889.5</b>	567.5	550.9
<b>Total assets</b>		<b>2,794.8</b>	2,231.1	2,052.6
<b>Current liabilities</b>				
Borrowings	23	<b>113.5</b>	114.8	99.4
Trade and other payables	21	<b>578.9</b>	734.1	655.2
Income tax payable		<b>1.2</b>	8.9	4.9
Other financial liabilities	22	<b>83.3</b>	6.3	4.2
Lease liabilities	16	<b>9.3</b>	14.1	15.0
Provisions	25	<b>22.1</b>	12.0	10.8
		<b>808.3</b>	890.2	789.5
<b>Non-current liabilities</b>				
Borrowings	23	<b>971.3</b>	839.1	604.7
Trade and other payables	21	<b>7.5</b>	9.4	49.8
Other financial liabilities	22	<b>–</b>	2.6	4.4
Lease liabilities	16	<b>93.7</b>	97.3	101.5
Provisions	25	<b>16.8</b>	16.2	12.9
Employee benefits	26	<b>92.5</b>	36.8	38.7
Deferred tax liabilities	10	<b>0.6</b>	9.9	20.0
		<b>1,182.4</b>	1,011.3	832.0
<b>Total liabilities</b>		<b>1,990.7</b>	1,901.5	1,621.5
<b>Net assets</b>		<b>804.1</b>	329.6	431.1
<b>Capital and reserves</b>				
Share capital	27	<b>11.5</b>	2.1	2.1
Share premium		<b>1,108.2</b>	352.3	352.3
Merger reserve		<b>144.0</b>	–	–
Capital redemption reserve		<b>9.3</b>	–	–
Capital reserve		<b>6.6</b>	6.6	6.6
Translation reserve		<b>0.4</b>	(0.4)	2.3
Hedge reserves	23	<b>10.9</b>	(2.3)	(23.5)
Retained earnings		<b>(503.1)</b>	(42.8)	81.1
<b>Equity attributable to owners of the group</b>		<b>787.8</b>	315.5	420.9
Non-controlling interests		<b>16.3</b>	14.1	10.2
<b>Total shareholders' equity</b>		<b>804.1</b>	329.6	431.1

\* Detail on the restatement of the comparative period is disclosed in note 2.

The Financial Statements were approved by the board of directors on 24 February 2021 and were signed on its behalf by

**TOBIAS MOERS**  
CHIEF EXECUTIVE OFFICER  
COMPANY NUMBER: 11488166

**KENNETH GREGOR**  
CHIEF FINANCIAL OFFICER

FINANCIAL STATEMENTS CONTINUED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £m	2019 restated* £m
<b>Operating activities</b>			
Loss for the year		(410.5)	(117.6)
<i>Adjustments to reconcile loss for the year to net cash inflow from operating activities</i>			
Tax credit on continuing operations	10	(55.5)	(2.0)
Net finance costs		143.1	67.6
Other non-cash movements		2.2	(4.4)
Loss on sale of property, plant and equipment	4	–	0.9
Depreciation and impairment of property, plant and equipment	4	50.8	38.8
Depreciation and impairment of right-of-use lease assets	4	14.8	13.3
Amortisation and impairment of intangible assets	4	168.5	112.4
Difference between pension contributions paid and amounts recognised in Income Statement		(4.1)	(4.4)
Increase in inventories		(4.8)	(33.3)
Decrease/(increase) in trade and other receivables		67.4	(31.8)
Decrease in trade and other payables		(118.6)	(51.8)
(Decrease)/increase in advances and customer deposits	21	(52.8)	48.4
Movement in provisions		11.0	4.5
Cash (used in)/generated from operations		(188.5)	40.6
Decrease in cash held not available for short-term use	20	(0.9)	(8.7)
Income taxes paid	10	(9.2)	(12.5)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(198.6)</b>	<b>19.4</b>
<b>Cash flows from investing activities</b>			
Interest received	8	2.3	5.0
Payments to acquire property, plant and equipment	15	(81.0)	(82.2)
Payments to acquire intangible assets	13	(179.7)	(228.0)
<b>Net cash used in investing activities</b>		<b>(258.4)</b>	<b>(305.2)</b>
<b>Cash flows from financing activities</b>			
Interest paid	28	(82.3)	(52.0)
Proceeds from equity share issue		812.8	–
Proceeds from issue of equity warrants		34.6	–
Proceeds from financial instrument utilised as part of refinancing transactions		6.9	–
Principal element of lease payments	28	(12.2)	(10.9)
Repayment of existing borrowings	28	(1,092.3)	(91.5)
Proceeds from existing borrowings	28	–	102.3
Proceeds from inventory repurchase arrangement	21	76.8	38.7
Repayment of inventory repurchase arrangement		(80.0)	–
Proceeds from new borrowings	28	1,252.7	260.8
Transaction fees paid on issuance of shares	28	(34.9)	–
Transaction fees paid on financing activities	28	(41.9)	(4.1)
<b>Net cash inflow from financing activities</b>		<b>840.2</b>	<b>243.3</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	24	<b>383.2</b>	<b>(42.5)</b>
Cash and cash equivalents at the beginning of the year		107.9	144.6
Effect of exchange rates on cash and cash equivalents		(1.7)	5.8
<b>Cash and cash equivalents at the end of the year</b>		<b>489.4</b>	<b>107.9</b>

\* Further detail on the restatement of the comparative period is disclosed in note 2.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

## 1 BASIS OF ACCOUNTING

Aston Martin Lagonda Global Holdings plc (the "Company") is a company incorporated in England and Wales and domiciled in the UK. The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The Group Financial Statements have been prepared and approved by the Directors in accordance with

- international accounting standards in conformity with the requirements of the Companies Act 2006; and
- international financial reporting standards ('IFRSs') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The Group Financial Statements have been prepared under the historical cost convention except where the measurement of balances at fair value is required as explained below. The Financial Statements are prepared in millions to one decimal place, and in Sterling which is the Company's functional currency.

## GOING CONCERN

An overview of the business activities of Aston Martin Lagonda Global Holdings plc, including a review of the principal risks that the Group faces, is given in the Strategic Report on pages 1 to 39. The debt facilities available to the Group and the maturity profile of this debt is shown in note 23 of the Financial Statements.

The Group meets its day-to-day working capital requirements and medium term funding requirements through a mixture of \$1,085.5m of 1st Lien notes at 10.5% which mature in November 2025, \$335m of 2nd Lien split coupon notes at 15% per annum (8.89 % cash and 6.11% PIK) which mature in November 2026, a revolving credit facility (£90.6m) which matures August 2025, facilities to finance inventory, a number of back-to-back loans and a wholesale vehicle financing facility (as described in note 18 of the Financial Statements). Under the revolving credit facility the Group is required to comply with liquidity and leverage covenants.

The amounts outstanding on all the borrowings are shown in note 23 to the Group Financial Statements.

The Directors have developed trading and cash flow forecasts for the period from the date of approval of these Financial Statements through 30 June 2022 (the going concern review period). These forecasts show that the Group has sufficient financial resources to meet its obligations as they fall due and to comply with covenants for the going concern review period.

The forecasts reflect our strategy of rebalancing supply and demand and the decisive actions taken to improve cost efficiency, in alignment with reduced sports car production levels. The forecasts make assumptions in respect of future market conditions and, in particular, wholesale volumes, average selling price, the launch of new models including Valkyrie and the potential impact of COVID-19 on sales. The nature of the Group's business is such that there can be variation in the timing of cash flows around the development and launch of new

models. In addition, the availability of funds provided through the vehicle wholesale finance facility changes as the availability of credit insurance and sales volumes vary, in total and seasonally. The forecasts take into account these factors to the extent which the directors consider them to represent their best estimate of the future based on the information that is available to them at the time of approval of these Financial Statements.

The directors have considered a severe but plausible downside scenario that includes considering the impact of a 30% reduction in DBX volumes, a further 4 week period of factory closure due to COVID-19 restrictions and, operating costs higher than the base plan.

The Group plans to make continued investment for growth in the period and, accordingly, funds generated through operations are expected to be reinvested in the business mainly through new model development and other capital expenditure. To a certain extent such expenditure is discretionary and, in the event of risks occurring which could have a particularly severe effect on the Group, as identified in the severe but plausible downside scenario, actions such as constraining capital spending, working capital improvements, reduction in marketing expenditure and the continuation of strict and immediate expense control would be taken to safeguard the Group's financial position.

Accordingly, after considering the forecasts, appropriate sensitivities, current trading and available facilities, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and to comply with its financial covenants therefore the Directors continue to adopt the going concern basis in preparing the Financial Statements.

## 2 ACCOUNTING POLICIES

### BASIS OF CONSOLIDATION

The Consolidated Financial Statements consist of the Financial Statements of the Company and all entities controlled by the Company. All intercompany balances and transactions, including unrealised profits arising, are eliminated.

### SUBSIDIARIES

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The Financial Statements of subsidiaries are included in the Group Financial Statements from the date that control commences until the date that control ceases. The Financial Statements of subsidiaries used in the preparation of the Consolidated Financial Statements are prepared for the same reporting year as the Company and are based on consistent accounting policies.

## 2 ACCOUNTING POLICIES (CONTINUED)

### FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are initially recorded in the functional currency of the operation by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the Income Statement except for the translational differences on monetary items that form part of designated hedge relationships.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the reporting date. Income and expenses are translated at average exchange rates for the period. The resulting exchange differences are taken through Other Comprehensive Income to the translation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in the translation reserve relating to the foreign operation is recognised in the Income Statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### REVENUE RECOGNITION

Revenue is recognised when the Group satisfies its performance obligation to supply a product or service to the customer. Revenue is measured at the fair value of the consideration receivable, deducting dealer incentives, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised.

#### Sale of vehicles

Revenue from the sale of vehicles is recognised when control of the vehicle is passed to the dealer or individual, thus evidencing the satisfaction of the associated performance obligation under that contract. Control is passed when the buyer can direct the use of and obtain substantially all of the benefits of the vehicle which is typically at the point of despatch. When despatch is deferred at the formal request of the buyer and a written request to hold the vehicle until a specified delivery date has been received, revenue is recognised when the vehicle is ready for despatch and the Group can no longer use or direct the vehicle to an alternative buyer.

The Group estimates the consideration to which it will be entitled in exchange for satisfaction of the performance obligation as part of the sale of a vehicle. Revenue is recognised at the wholesale selling price net of dealer incentives (variable marketing expense or "VME"). VME is estimated and accrued for at the time of the wholesale sale to the dealer, other than those elements of VME connected with retail sales by the dealer where there is also a contractual requirement for the dealer to make additional wholesale purchases at that time to receive the incentive, which is accrued at the time of the retail sale by the dealer to the end customer.

Warranties are issued on new vehicles sold with no separate purchase option available to the customer and, on this basis, are accounted for in accordance with IAS 37. Service packages sold as part of the supply of a vehicle are accounted for as a separate performance obligation with the revenue deferred, based on the term of the package, at the original point of sale. The deferred revenue is released to the Income Statement over the shorter of the period that the service package covers or the number of vehicle services that the end user is entitled to.

Where a sale of a vehicle(s) includes multiple performance obligations, the Group determines the allocation of the total transaction price by reference to their relative standalone selling prices.

#### Sales of parts

Revenue from the sale of parts is recognised upon transfer of control to the customer, generally when the parts are released to the carrier responsible for transporting them. Where the dealer is Aston Martin Works Limited, an indirect subsidiary of the Company, revenue is recognised upon despatch to a customer outside of the Group.

#### Servicing and restoration of vehicles

Revenue is recognised upon completion of the service/restoration typically when the service or restoration is completed in accordance with the customers' requirements.

#### Brands and motorsport

Revenue from brands and motorsport is recognised when the performance obligations, principally use of the Aston Martin brand name or supply of a motorsport vehicle, are satisfied. Revenue is recognised either at a point in time or over a period of time in line with IFRS 15 according to the terms of the contract.

#### Customer advance payments

The Group receives advance cash payments from customers to secure their allocation of a vehicle produced in limited quantities, typically with a lead time of greater than 12 months. The value of the advance, both contractually refundable or non-refundable, is held as a contract liability in the Statement of Financial Position. Upon satisfaction of the performance obligation, the liability is released to revenue in the Income statement. If the deposit is returned to the customer prior to satisfaction of the performance obligation, the contract liability is derecognised.

Where a significant financing component exists, the contract liability is increased over the same period of time as the contract liability is held to account for the time value of money. A corresponding charge is recognised in the Consolidated Income Statement within finance expenses. Upon satisfaction of the linked performance obligation, the liability is released to revenue.

The Group applies a practical expedient for short-term advances received from customers whereby the advanced payment is not adjusted for the effects of a significant financing component.

#### OTHER INCOME

Other income relates to transactions undertaken as part of recurring business operations, but where the quantum or nature is concluded material enough to be presented separately on the face of the Income Statement. Credit losses or related costs associated with transactions originally recorded in Other Income are classified on a consistent basis.

#### FINANCE INCOME

Finance income comprises interest receivable on invested funds calculated using the effective interest rate method, interest income and currency gains arising on foreign currency denominated borrowings (not designated under a hedge relationship) that are recognised in the Income Statement.

#### FINANCE EXPENSE

Finance expense comprises interest payable on borrowings calculated using the effective interest rate method, interest expense on the net defined benefit pension liability, losses on financial instruments that are recognised at fair value through the Income Statement and foreign exchange losses on foreign currency denominated financial liabilities.

Interest incurred on lease liabilities accounted for under IFRS 16 and interest charged in relation to significant financing components on customer advance payments are both recognised within finance expense.

## 2 ACCOUNTING POLICIES (CONTINUED)

### CURRENT/NON-CURRENT CLASSIFICATION

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption as part of the Group's normal identifiable operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes in line with the Group's identifiable normal operating cycle. These liabilities are expected to be settled as part of the Group's normal course of business. All other liabilities are classified as non-current liabilities.

### GOODWILL

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating unit. The only cash generating unit of the Group is that of Aston Martin Lagonda Group as there are no smaller groups of assets that can be identified with certainty which generate specific cash flows independent of the inflows generated by other assets or groups of assets. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the Income Statement.

### INTANGIBLE ASSETS

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside of goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Fair value adjustments are considered to be provisional at the first-year end date after the acquisition to allow the maximum time to elapse for management to make a reliable estimate.

### Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

### Purchased intellectual property

Purchased intellectual property that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset stated at cost less accumulated depreciation.

### Brands

An acquired brand is only recognised in the Statement of Financial Position as an intangible asset where it is supported by a registered trademark, is established in the market place, the brand could be sold separately from the rest of the business and where the brand achieves earnings in excess of those achieved by unbranded products. The value of an acquired brand is determined by allocating the purchase price consideration of an acquired business between the underlying fair values of the tangible assets, goodwill, brands and other intangible assets acquired, using an income approach following the multi-period excess earnings methodology.

Acquired brands have an indefinite life when there is no foreseeable limit to the period over which the asset is expected to generate cash inflows.

### Development costs

Expenditure on internally developed intangible assets, excluding development costs, is taken to the Income Statement in the year in which it is incurred. Clearly defined and identifiable development costs are capitalised under *IAS 38 – Intangible Assets* after the following criteria has been met:

- the project's technical feasibility and commercial viability, based on an estimate of future cashflows, can be demonstrated when the project has reached a defined milestone according to the Group's established product development model;
- technical and financial resources are available for the project;
- an intention to complete the project has been confirmed; and
- the correlation between development costs and future revenues has been established.

### Technology

Patented and unpatented technology acquired in business combinations is valued using the cost approach. The obsolete element is determined by reference to the proportion of the product life cycle that had expired at the acquisition date. Technology acquired from third parties is included at fair value.

### Dealer network

Save for certain direct sales of some special edition and buyer commissioned vehicles, the Group sells its vehicles exclusively through a network of dealers. All dealers in the dealer network are independent dealers with the exception of Aston Martin Works Limited. To the extent that the Group benefits from the network the dealer network has been valued based on costs incurred by the Group.

### Amortisation

Following initial recognition, the historic cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of these capitalised costs begins when the asset is available for use. Intangible assets with a finite life have no residual value and are amortised on a straight-line basis over their expected useful lives as follows:

	Years
Purchased intellectual property	5
Development costs	1 to 10
Technology	10
Software and other	3 to 10
Dealer network	20

The useful lives and residual values of capitalised development costs are determined at the time of capitalisation and are reviewed annually for appropriateness and recoverability.

Amortisation of special vehicle development costs are spread evenly across the limited quantity of vehicles produced and charged to the Income Statement at the point of sale for each vehicle.

## 2 ACCOUNTING POLICIES (CONTINUED)

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid, and the fair value of any other consideration given, to acquire the asset including directly attributable costs to make the asset capable of operation. Borrowing costs directly attributable to assets under construction are capitalised.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis to its residual value over its expected useful life as follows:

	Years
Freehold buildings	30
Plant and machinery	5 to 30
Fixtures and fittings	3 to 12
Tooling	1 to 15
Motor vehicles	5 to 9

Tooling is depreciated over the life of the project. Assets in the course of construction are included in their respective category but are not depreciated until available for use. The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal. Any gain or loss arising on the derecognition of the asset is included in the Income Statement in the period of derecognition.

### GOVERNMENT GRANTS

Government grants are recognised in the Income Statement, either on a systematic basis when the Group recognises the related costs that the grants are intended to compensate for, or immediately if the costs have already been incurred.

Government grants related to assets are deducted from the cost of the asset and amortised over the useful life of the asset.

Government grants are recognised when there is reasonable assurance that the Group will comply with the relevant conditions and the grant will be received.

Amounts recognised in the statement of cash flows are presented net of proceeds of applicable government grants.

### RIGHT OF USE ASSETS AND LEASE LIABILITIES – IFRS 16

The Group adopted IFRS 16 using the modified retrospective approach in 2019.

#### Leases under which the Group acts as lessee

The Group is a party to lease contracts for buildings, plant and machinery and IT equipment. The Group recognises a right of use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets useful life. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Moreover, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an estimate of the Group's incremental borrowing rate at that point in time.

The Group estimates the incremental borrowing rate by taking a credit risk adjusted risk-free rate in addition to making other specific adjustments to account for certain characteristics in the lease such as geography, type of asset and security pledged.

Lease payments included in the measurement of the lease liability comprise either fixed lease payments or lease payments subject to periodic fixed increases. The lease liability is measured at amortised cost using the effective interest rate method. Lease payments are allocated between principal and interest cost with the interest costs charged to the Income Statement over the lease period.

The liability is remeasured when there is an increase/decrease in future lease payments arising from a change in an index or rate specified.

#### Short-term leases and leases of low-value assets

The Group does not recognise right of use assets and lease liabilities for short-term leases that have a lease term of less than twelve months and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis in the Income Statement over the lease term.

#### Leases under which the Group acts as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to the lease of the underlying right-of-use asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease period forms a major part of the economic life of the asset.

The Group recognises lease payments received under operating leases on a straight-line basis over the lease term in the Income Statement.

The Group has no sub-leases that qualify as finance leases.

## 2 ACCOUNTING POLICIES (CONTINUED)

### IMPAIRMENT OF ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset, or cash-generating unit's, fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the Income Statement.

For goodwill, brands and other intangible assets that have an indefinite life, the recoverable amount is estimated annually or more frequently when there is an indication that the asset is impaired.

For intangible assets, property, plant and equipment, and right of use lease assets that have a finite life, the recoverable amount is estimated when there is an indication that the asset is impaired.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised in the Income Statement as income immediately.

### INVENTORIES

Inventories are stated at the lower of cost and net realisable value. For service and restoration projects, net realisable value is the price at which the project can be invoiced in the normal course of business after allowing for the costs of realisation. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- Raw materials, service parts and spare parts – purchase cost on a first-in, first-out basis;
- Work in progress and finished vehicles – cost of direct materials and labour plus attributable overheads based on a normalised level of activity, excluding borrowing costs.

Provisions are made, on a specific basis, for obsolete, slow moving and defective stocks and if the cost of the service or restoration project cannot be fully recovered. Inventories held under financing arrangements are recognised when control is transferred to the Group.

### CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks, cash in hand and short-term deposits with an original maturity of three months or less, subject to insignificant changes in value and readily convertible to known amounts.

### DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial assets and liabilities are recognised in the Statement of Financial Position at fair value when the Group becomes a party to the contractual provisions of the instrument. The Group uses derivative instruments to manage its exposure to foreign exchange risk arising from operating activities. Movements in the fair value of foreign exchange derivatives not qualifying for hedge accounting are recognised in finance income or expense. The accounting policy on derivatives that are designated as hedging instruments in hedging relationships is detailed in the hedge accounting policies. A financial asset or liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

### FINANCIAL ASSETS AND LIABILITIES

Financial assets are cash or a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or liabilities with another entity under conditions that are potentially favourable to the entity. In addition, contracts that result in another entity delivering a variable number of its own equity instruments are financial assets.

Derivative financial instruments including equity options are held at fair value. All other financial instruments are held at amortised cost.

### TRADE AND OTHER RECEIVABLES

Trade and other receivables are carried at the lower of their original invoiced value and recoverable amount. A trade receivable loss allowance is measured at an amount equal to the lifetime expected credit loss at initial recognition and throughout the life of the receivable. Receivables are not discounted as the time value of money is not considered to be material.

### TRADE AND OTHER PAYABLES

Trade and other payables are recognised and carried at their original invoiced value. Trade payables are not discounted to consider the time value of money as the impact is immaterial.

Refundable and non-refundable customer deposits are held as contract liabilities within current trade and other payables.

Inventory sale and repurchase arrangements, which are in substance financing transactions, are included in other payables. The difference between the sale and repurchase value is accounted for as part of the effective interest calculation. The effective interest is charged to the Income Statement over the period from sale to repayment.

### HEDGE ACCOUNTING

The Group uses derivative financial instruments in the form of forward currency contracts, and certain of its existing US dollar denominated borrowings, to hedge the foreign currency risk of sales (including inter-group sales) of finished vehicles and external purchases of component parts. For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cashflows is either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction, or the foreign currency risk of an unrecognised firm commitment.

At the inception of the hedge relationship, the Group formally designates and documents the hedge relationship and the risk management objectives and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess hedge effectiveness. A hedging relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes resulting from that economic relationship; and
- The theoretical hedge ratio of the hedging relationship is the same as practically occurs.

### Derivative financial instruments

The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Income Statement. The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in Other Comprehensive Income and accumulated in a separate component of equity under cost of hedging reserve.

## 2 ACCOUNTING POLICIES (CONTINUED)

### HEDGE ACCOUNTING (CONTINUED)

#### Financial Liability as a hedge

Foreign currency differences arising on the retranslation of a financial liability designated as a cash flow hedge are recognised directly in Other Comprehensive Income to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in the Income Statement.

#### Subsequent accounting

The amounts accumulated in both the cash flow hedge reserve and the cost of hedging reserve are accounted for depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the Hedge Reserve is removed and included in the initial cost of the hedge item. For any other cash flow hedges, the amount accumulated in the Hedge Reserve is reclassified to the Income Statement as a reclassification adjustment in the same period or periods during which the hedged cashflow affects profit or loss.

If hedge accounting is discontinued, the amount that has been accumulated in the Hedge Reserve must remain in equity if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the Income Statement as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in the Hedge Reserve is accounted for depending on the nature of the underlying transaction.

#### BORROWINGS

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recorded and redemption value being recognised in the Income Statement as a finance expense over the period of the borrowings on an effective interest basis.

#### PENSIONS

The Group operates a defined contribution pension plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement in the periods during which services are rendered by employees.

The Group operates a defined benefit pension plan, which is contracted out of the state scheme. The Group's net obligation in respect of defined benefit plans is calculated for the plan by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

When the calculation results in a deficit for the Group, the recognised liability is adjusted for the discounted value of future deficit reduction contributions in excess of the calculated deficit.

Remeasurements of the net defined benefit asset or liability, which comprise actuarial gains and losses, the interest on plan assets, and the effect of the asset ceiling or minimum funding requirements, are recognised immediately in Other Comprehensive Income. The Group determines the net interest expense (income) on the net defined benefit asset or liability, considering any changes in the net defined asset or liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Income Statement.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service cost or the gain or loss on curtailment is recognised immediately in the Income Statement. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### SHARE-BASED PAYMENT TRANSACTIONS

The fair value of equity-classified share-based awards with both market and non-market-based performance conditions is recognised as an expense within administrative and other expenses in the Income Statement, with a corresponding increase in equity over the period that the employees become unconditionally entitled to the shares.

The amount recognised as an expense is adjusted to reflect both non-market-based conditions, such as continued employment and profit related metrics, in addition to market-based conditions driven by an estimation of the quantum of awards expected to vest at the date of grant.

Where the Group obtains goods or services in exchange for the issuance of shares, these are accounted for as equity-settled share-based payments in accordance with IFRS 2. Where the fair value of the goods or services can be estimated reliably, these are recorded at fair value with a corresponding increase in equity.

#### PROVISIONS

The Group provides product warranties on all new vehicle sales. Warranty provisions are recognised when vehicles are sold or when new warranty programs are initiated. Based on historical warranty claim experience, assumptions are made on the type and extent of future warranty claims including non-contractual warranty claims as well as on possible recall campaigns. These assessments are based on the frequency and extent of vehicle faults and defects in the past. In addition, the estimates include assumptions on the potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information.

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when:

- there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and
- the employees affected have been notified of the plan's main features.

#### INCOME TAXES

Tax on the profit or loss for the period represents the sum of the tax currently payable and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity or Other Comprehensive Income whereby the tax treatment follows that of the underlying item.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the reporting date.

The Group is subject to corporate taxes in a number of different jurisdictions and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group recognises liabilities for anticipated taxes based on the best information available and where the anticipated liability is both probable and can be estimated. Any interest and penalties accrued, if applicable, are included in income taxes in both the Consolidated Income Statement and the Consolidated Statement of Financial Position. Where the final outcome of such matters differs from the amount recorded, any differences may impact the income tax and deferred tax provisions in the period in which the final determination is made.

## 2 ACCOUNTING POLICIES (CONTINUED)

### INCOME TAXES (CONTINUED)

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised, or liability is settled. Deferred tax assets and liabilities are disclosed on a net basis where a right of offset exists.

### EQUITY INSTRUMENTS

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends and distributions relating to equity instruments are debited direct to equity.

### ADJUSTING ITEMS

An adjusting item is disclosed separately in the Consolidated Statement of Comprehensive Income where the quantum, nature or volatility of such items would otherwise distort the underlying trading performance of the Group including where they are not expected to repeat in future periods. The tax effect is also included.

Details in respect of adjusting items recognised in the current and prior year are set out in note 6 in the Financial Statements.

### CRITICAL ACCOUNTING ASSUMPTIONS AND KEY SOURCES OF ESTIMATION UNCERTAINTY ESTIMATES

The preparation of Financial Statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the Group's accounting policies, which are described in this note, management has made estimates. Other than as set out below, variations in the remaining estimates are not considered to give rise to a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group consider it appropriate to identify the nature of the estimates used in preparing the Financial Statements and the main sources of estimation uncertainty are:

- impairment of indefinite life intangible assets (including goodwill);
- impairment of finite life intangible assets;
- the measurement of defined benefit pension assets and obligations;

### Impairment of indefinite and finite life intangible assets

The Group determines whether indefinite life intangible assets are impaired on an annual basis, or more frequently when there is an indication that the asset is impaired. This requires an estimation of the value-in-use derived from the estimation of future cash flows utilising a suitable discount rate (see note 14).

The Group has determined that for goodwill and other intangibles with indefinite lives, there is one cash-generating unit. This is on the basis that there are no smaller groups of assets that can be identified with certainty which generate specific cash flows that are independent of the inflows generated by other assets or groups of assets.

For intangible assets that have a finite life, the recoverable amount is estimated when there is an indication that the asset is impaired.

The result of the calculation of the value-in-use is sensitive to the assumptions made and is a subjective estimate (see note 14).

### Measurement of pension assets and obligations

There are a range of assumptions that could be made, and the measurement of defined benefit pension assets and obligations is very sensitive to these. Note 26 provides information on these assumptions and the inherent sensitivities.

Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, mortality rates, the expected return on assets and suitable discount rates (see note 26).

### NEW ACCOUNTING STANDARDS

In 2020 the following standard were endorsed by the EU, became effective and adopted by the Group:

- *Definition of a Business – Amendments to IFRS 3*
- *Definition of material – amendments to IAS 1 and IAS 8* (effective 1 January 2020).
- *Interest rate benchmark reform – amendments to IFRS 9, IAS 39 and IFRS 7.*
- *The Conceptual Framework for Financial Reporting*

These standards have not had a material impact on the Group's reported financial performance or position.

The following standard amendments, which are not yet effective or endorsed by the EU and have not been early adopted by the Group, will be adopted in future accounting periods:

- *Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.*
- *Classification of Liabilities as Current or Non-current – Amendments to IAS 1*

These are not expected to have a material impact on the Group.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 2 ACCOUNTING POLICIES (CONTINUED)

#### PRIOR YEAR RESTATEMENT

The financial results for the year ended 31 December 2019 have been restated to reflect a prior period adjustment in respect of variable marketing expense ("VME"). Pursuant to IFRS 15, future VME in the US should be estimated and accrued for on the balance sheet of the Group and deducted from revenue at the point revenue is recognised for the wholesale of the vehicle to the dealer rather than at the time of retail sale by the dealer to the end customer, as had previously been the approach. Outside of the US, VME continues to be accrued at the time of the retail sale by the dealer to the end customer, reflecting the contractual requirement that the dealer has to make additional wholesale purchases at that time in order to receive the VME. The impact of this correction is a reduction in revenue of £16.8m to the 2019 reported result. The £13.8m and £29.1m impact on the Statement of Financial Position as at 1 January 2019 and 31 December 2019 respectively represents the additional accrual required at those points in time.

The Statement of Financial Position of the Group as at 31 December 2019, and the Income Statement for the year ended 31 December 2019, have been restated to reflect the correction of this error including the related adjustments to tax. This had no impact on the timing of the Company's historic or forecast cash flows. The adjustment results in an earlier accrual for VME in the United States than previously reported and impacts the Statement of Financial Position and Income Statement as set out below.

The Group's retained earnings have been restated to correct for a brought forward taxation error, with a corresponding £2.9m entry made to reduce trade and other receivables at 1 January 2019 and increase trade and other payables at 31 December 2019.

#### Consolidated Statement of Comprehensive Income (extract)

	As Reported £m	Increase/ (decrease) £m	As Restated £m
<b>Year ended 31 December 2019</b>			
<b>Revenue</b>	997.3	(16.8)	<b>980.5</b>
Cost of sales	(642.7)	–	<b>(642.7)</b>
<b>Gross profit</b>	354.6	(16.8)	<b>337.8</b>
Selling and distribution expenses	(95.0)	–	<b>(95.0)</b>
Administrative expenses	(277.3)	1.5	<b>(275.8)</b>
Other expense	(19.0)	–	<b>(19.0)</b>
<b>Operating loss</b>	(36.7)	(15.3)	<b>(52.0)</b>
Finance income	16.3	–	<b>16.3</b>
Finance expense	(83.9)	–	<b>(83.9)</b>
<b>Loss before income tax</b>	(104.3)	(15.3)	<b>(119.6)</b>
Income tax (charge)/credit	(0.1)	2.1	<b>2.0</b>
<b>Loss for the period</b>	(104.4)	(13.2)	<b>(117.6)</b>
 <b>(Loss)/profit for the period attributable to:</b>			
Owners of the group	(113.2)	(13.2)	<b>(126.4)</b>
Non-controlling interests	8.8	–	<b>8.8</b>
	(104.4)	(13.2)	<b>(117.6)</b>
 <b>Other comprehensive income for the period, net of income tax</b>	17.3	–	<b>17.3</b>
<b>Total comprehensive loss for the period</b>	(87.1)	(13.2)	<b>(100.3)</b>
 <b>Total comprehensive (loss)/income for the period attributable to:</b>			
Owners of the group	(95.9)	(13.2)	<b>(109.1)</b>
Non-controlling interests	8.8	–	<b>8.8</b>
	(87.1)	(13.2)	<b>(100.3)</b>
 <b>Earnings per ordinary share <sup>1</sup></b>			
Basic	(49.6p)	(5.8p)	<b>(55.4p)</b>
Diluted	(49.6p)	(5.8p)	<b>(55.4p)</b>

1. The restated earnings per ordinary share presented quantifies the impact of the error on the earnings per share previously disclosed. In addition to the above, resulting from the bonus element of the rights issue in April 2020 and the share consolidation completed in December 2020 (see note 27), the comparative basic and diluted earnings per ordinary share have been represented in the Consolidated Statement of Comprehensive Income as described in note 12 in compliance with IAS 33.

## 2 ACCOUNTING POLICIES (CONTINUED)

## PRIOR YEAR RESTATEMENT (CONTINUED)

Consolidated Statement of Financial Position (*extract*)

	As Reported £m	Increase/ (decrease) £m	As Restated £m
As at 31 December 2019			
Trade and other payables – current	702.1	32.0	<b>734.1</b>
Deferred tax liability	12.6	(2.7)	<b>9.9</b>
<b>Net Assets</b>	358.9	(29.3)	<b>329.6</b>
Retained earnings	(13.5)	(29.3)	<b>(42.8)</b>
Equity attributable to owners of the group	344.8	(29.3)	<b>315.5</b>
Non-controlling interests	14.1	–	<b>14.1</b>
<b>Total shareholders' equity</b>	358.9	(29.3)	<b>329.6</b>
As at 1 January 2019			
Trade and other payables – current	641.4	13.8	<b>655.2</b>
Trade and other receivables	243.0	(2.9)	<b>240.1</b>
Deferred tax asset	32.1	0.6	<b>32.7</b>
<b>Net Assets</b>	447.2	(16.1)	<b>431.1</b>
Retained earnings	97.2	(16.1)	<b>81.1</b>
Equity attributable to owners of the group	437.0	(16.1)	<b>420.9</b>
Non-controlling interests	10.2	–	<b>10.2</b>
<b>Total shareholders' equity</b>	447.2	(16.1)	<b>431.1</b>

\* As reported at 31 December 2018, as adjusted for the adoption of IFRS 16.

There is no overall impact on the cashflow in any of the previous periods from the restatement mentioned above. The Income Statement impact and the movement in the Statement of Financial Position is all classified within cashflows from operations and hence no impact on overall cashflow sub-headings.

Where the notes included in these Consolidated Financial Statements provide additional analysis in respect of amounts impacted by the above restatements, the comparative values presented have been re-analysed on a consistent basis.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 3 SEGMENTAL REPORTING

Operating segments are defined as components of the Group about which separate financial information is available and is evaluated regularly by the chief operating decision-maker in assessing performance. The Group has only one operating segment, the automotive segment, and therefore no separate segmental report is disclosed. The automotive segment includes all activities relating to design, development, manufacture and marketing of vehicles including consulting services; as well as the sale of parts, servicing and automotive brand activities from which the Group derives its revenues.

	2020 £m	2019 restated £m
Revenue		
<b>Analysis by category</b>		
Sale of vehicles	<b>535.1</b>	880.8
Sale of parts	<b>56.6</b>	63.0
Servicing of vehicles	<b>6.6</b>	9.3
Brands and motorsport	<b>13.5</b>	27.4
	<b>611.8</b>	980.5
Revenue		
<b>Analysis by geographic location</b>		
United Kingdom	<b>106.0</b>	229.6
The Americas	<b>162.5</b>	278.5
Rest of Europe, Middle East & Africa	<b>184.9</b>	231.2
Asia Pacific	<b>158.4</b>	241.2
	<b>611.8</b>	980.5

### NON-CURRENT ASSETS OTHER THAN FINANCIAL INSTRUMENTS AND DEFERRED TAX ASSETS BY GEOGRAPHIC LOCATION

As at 31 December 2020	Right-of-use lease asset £m	Property, plant, equipment £m	Goodwill £m	Intangible assets £m	Other receivables £m	Total £m
United Kingdom	62.0	281.1	85.4	1,095.4	–	1,523.9
The Americas	0.1	1.6	–	–	–	1.7
Rest of Europe	0.1	104.1	–	156.0	0.9	261.1
Asia Pacific	9.2	2.8	–	–	–	12.0
	<b>71.4</b>	<b>389.6</b>	<b>85.4</b>	<b>1,251.4</b>	<b>0.9</b>	<b>1,798.7</b>
As at 31 December 2019	Right-of-use lease asset £m	Property, plant, equipment £m	Goodwill £m	Intangible assets £m	Other receivables £m	Total £m
United Kingdom	69.1	285.0	85.4	1,081.3	–	1,520.8
The Americas	0.2	0.5	–	–	–	0.7
Rest of Europe	2.5	65.0	–	16.9	1.8	86.2
Asia Pacific	10.0	–	–	–	–	10.0
	<b>81.8</b>	<b>350.5</b>	<b>85.4</b>	<b>1,098.2</b>	<b>1.8</b>	<b>1,617.7</b>

**4 OPERATING LOSS**

The Group's operating loss is stated after charging/(crediting):

	2020 £m	2019 £m
Depreciation and impairment of property, plant and equipment (note 15)	<b>52.5</b>	41.8
Depreciation absorbed into inventory under standard costing	(1.7)	(3.0)
Depreciation and impairment of right-of-use lease assets (note 16)	<b>14.8</b>	13.3
Amortisation and impairment of intangible assets (note 13)	<b>168.8</b>	116.1
Amortisation absorbed into inventory under standard costing	(0.3)	(3.2)
Loss on sale of property, plant and equipment	–	0.9
Depreciation, amortisation and impairment charges included in Administrative and other operating expenses	<b>234.1</b>	165.9
Increase in trade receivable loss allowance – Other Expense (notes 5 and 23)	–	19.0
Increase in trade receivable loss allowance – Administrative and other operating expenses (note 23)	<b>1.5</b>	1.0
Net foreign currency differences	(15.9)	8.6
Cost of inventories recognised as an expense	<b>372.7</b>	538.2
Impairment of inventories held (note 14)	–	2.3
Write-down of inventories to net realisable value	<b>13.5</b>	2.5
Increase in fair value of other derivative contracts	<b>1.1</b>	–
Expenditure related grant income*	(12.5)	(0.2)
Operating lease payments (gross of sub-lease receipts)		
• Plant, machinery and IT equipment**	<b>0.6</b>	1.2
Sub-lease receipts	(0.7)	(0.3)
Auditor's remuneration:		
• Audit of these Financial Statements	<b>0.3</b>	0.2
• Audit of Financial Statements of subsidiaries pursuant to legislation	<b>0.3</b>	0.3
• Audit related assurance	<b>0.1</b>	–
• Services related to corporate finance transactions	<b>0.4</b>	0.1
• Other non-audit services	<b>1.0</b>	–
Research and development expenditure recognised as an expense	<b>4.5</b>	–

	2020 £m	2019 £m
Total research and development expenditure	<b>182.1</b>	226.0
Capitalised research and development expenditure (note 13)	(177.6)	(226.0)
Research and development expenditure recognised as an expense	<b>4.5</b>	–

\* Government grant income has been offset against the qualifying employee expenditure within the Consolidated Income Statement. Grant income in 2020 represents government wage subsidies paid through the Job Retention Scheme. There are no unfulfilled conditions outstanding and the grant has been recognised in full.

\*\* Election taken by the Group to not recognise right-of-use lease assets and equivalent lease liabilities for short-term and low-value leases.

**5 OTHER EXPENSE**

	2020 £m	2019 £m
Loss allowance recognised in relation to the sale of intellectual property	–	(19.0)

During the year ended 31 December 2019 the recoverability of the outstanding receivable from the sale of certain legacy intellectual property was assessed as doubtful resulting in a loss allowance of £19.0m recognised as a charge to the Consolidated Income Statement.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 6 ADJUSTING ITEMS

	2020 £m	2019 £m
<i>Adjusting operating expenses:</i>		
Impairment of assets (note 14):		
Development costs (note 13) <sup>1</sup>	(69.4)	(27.7)
Plant, machinery, fixtures and fittings (note 15) <sup>2</sup>	(3.8)	(4.7)
Tooling (note 15) <sup>1</sup>	(3.3)	(3.7)
Inventory <sup>1</sup>	–	(2.3)
Right-of-use lease assets (note 16) <sup>2</sup>	(2.8)	(1.0)
	<b>(79.3)</b>	<b>(39.4)</b>
Restructuring:		
Employee restructuring costs <sup>3</sup>	(12.4)	(2.8)
Motorsport exit costs <sup>4</sup>	(6.2)	–
Director settlement arrangements and incentive payments <sup>5</sup>	(2.7)	–
Initial Public Offering costs:		
Staff incentives <sup>6</sup>	2.6	0.6
Professional fees <sup>7</sup>	–	(0.5)
	<b>(98.0)</b>	<b>(42.1)</b>
<i>Adjusting finance income:</i>		
Foreign exchange gain on financial instrument utilised during refinance transactions <sup>8</sup>	6.9	–
<i>Adjusting finance expenses:</i>		
Premium paid on the early redemption of Senior Secured Notes <sup>8</sup>	(21.4)	–
Write-off of capitalised borrowing fees upon early settlement of Senior Secured Notes <sup>8</sup>	(7.6)	–
Loss on financial instruments recognised at fair value through Income Statement <sup>9</sup>	(45.3)	–
Professional fees incurred on refinancing expensed directly to the Income Statement <sup>10</sup>	(1.2)	–
Movement on derivatives not qualifying for hedge accounting (note 9) <sup>11</sup>	–	(6.6)
	<b>(68.6)</b>	<b>(6.6)</b>
Total adjusting items before tax	<b>(166.6)</b>	<b>(48.7)</b>
Tax credit on adjusting items <sup>12</sup>	32.9	8.8
Adjusting items after tax	<b>(133.7)</b>	<b>(39.9)</b>

- On 27 October the Group announced an expanded and enhanced technology agreement with Mercedes-Benz AG, giving access to powertrain architecture (for conventional, hybrid, and electric vehicles) and future oriented electric/electronic architecture for all product launches through to 2027. Following incorporation of the benefits of this enhanced partnership on the Group's business plan, and other cycle plan updates following the strategic review of the business plan the carrying value of capitalised tooling and intangible development costs have been impaired by £72.7m to reflect the change in future vehicle powertrains and electronic architecture.
- Announced in 2019, the Lagonda brand was expected to be relaunched no earlier than 2025 and while development of Rapide E was substantially complete, the programme was paused pending further review. An assessment of the carrying value of Rapide E assets, and assets carried across from Rapide as part of the Group's carry-over-carry-across ("COCA") principle resulted in an impairment charge of £39.4m – see note 14 for further details.
- In 2020 the Group commenced a rationalisation exercise to reduce its geographical footprint. This resulted in a £2.8m right-of-use lease asset and £3.8m plant and machinery impairment charge triggered by the conclusion of activity at a number of the Group's leased sites.
- During 2020 the Group provided £12.1m for phase two restructuring costs associated with a reduction in employee numbers to reflect the lower than originally planned production volumes. In addition to this, the Group incurred an additional £0.3m of phase one restructuring costs in 2020 (2019: £2.8m).
- In December 2020 Aston Martin announced that, following conclusion of the 2020 FIA World Endurance Championship, it would cease operation of a factory GTE team into 2021 incurring termination costs of £6.2m.
- It was announced on 27 February 2020 that Mark Wilson would step down as CFO and as an Executive Director of the Group on 30 April 2020. Subsequent to this, on 25 May 2020, Dr Andrew Palmer stepped down as CEO and as an Executive Director of the Group. Tobias Moers joined the Group as CEO and Executive Director on 1 August 2020. Amounts due as a result of these changes were £2.7m.
- In the year-ended 2020 a Legacy Long-term Incentive Plan ("LTIP") charge of £3.8m was recognised within 'Staff incentives' (2019: £3.6m). As an offset to this due to the reduced performance of the Group, the remaining Initial Public Offering ("IPO") bonus held for management was no longer forecast to be paid. This resulted in £6.4m being credited back to the Consolidated Income Statement (2019: £4.2m credit).
- Additional professional fees of £0.5m were charged in 2019 as a result of the Initial Public Offering during the year ended 31 December 2018.
- On 27 October the Group announced the successful arrangement of a new financing package including the issuance of \$1,085.5m of US Dollar 1st Lien notes and \$335m of US Dollar 2nd Lien split coupon notes. Proceeds from this financing package were used to redeem the existing Senior Secured Notes ("SSNs") in full ahead of their April 2022 maturity date. In redeeming the existing SSNs early the Group incurred an early redemption premium of £21.4m. Professional fees capitalised against the existing SSNs of £7.6m were written off to the Income Statement upon redemption.
- Upon the successful arrangement of the new finance package, the Group entered into a conditional forward currency contract to hedge the net US Dollar cash receipt into Sterling upon completion of the transaction. Movement in the US Dollar to Sterling exchange rate between the arrangement date and transaction date resulted in the recognition of a £6.9m currency gain in the Income Statement.
- The Group issued second lien SSNs which included detachable warrants classified as a derivative option liability initially valued at £34.6m. The movement in fair value of the derivative option liability from initial pricing during October 2020 when the SSNs were marketed to the 31 December 2020 resulted in a loss of £45.3m being recognised in the Income Statement.

## 6 ADJUSTING ITEMS (CONTINUED)

10. Fees incurred on raising the second lien loan notes in December 2020 were allocated between the debt and warrant elements on a proportional basis. The fees allocated to the warrants have been written off in the period they were incurred.
11. In 2019 a charge of £6.6m was recognised in relation to fair value movements of derivative financial instruments held to hedge future foreign currency cashflows, but where the necessary criteria for hedge accounting had not been met. Once the criteria for hedge accounting had been met, all movements in the fair value of these derivative financial instruments are recorded either in Other Comprehensive Income or in arriving at adjusted operating profit in the Consolidated Income Statement.
12. In 2020, a total tax credit of £32.9m has been recognised as an adjusting item. The tax credit on adjusting items in 2020 is higher than the standard rate of income tax for the Group at 19% due to an additional credit of £1.3m which relates to the impact of a change in deferred tax rate from 17% to 19% on items treated as adjusting in previous years.

## 7 STAFF COSTS AND DIRECTORS' EMOLUMENTS

### (a) Staff costs (including directors)

	2020 £m	2019 £m
Wages and salaries <sup>1,2</sup>	<b>119.3</b>	126.9
Social security costs <sup>1,2</sup>	<b>11.2</b>	13.6
Expenses related to post-employment defined benefit plan	<b>8.6</b>	6.9
Contributions to defined contribution plans <sup>2</sup>	<b>10.4</b>	9.3
	<b>149.5</b>	156.7

1. The values presented for the years ended 31 December 2020 and 2019 includes the release of accrued staff incentives totalling £6.4m (2019: £4.2m) offset by the legacy LTIP charge of £3.8m (2019: £3.6m), both of which are presented as adjusting items – see note 6 for further detail.

2. The value presented for the year ended 31 December 2020 is net of receipts totalling £12.5m from the UK Government Job Retention Scheme.

The average monthly number of employees during the year were:

By activity	2020 Number	2019 Number
Production	1,209	1,118
Selling and distribution	358	348
Administration	920	1,099
	<b>2,487</b>	2,565

### (b) Directors' emoluments and transactions

	2020 £m	2019 £m
Directors' emoluments	3.3	2.9
Company contributions to pension schemes	0.2	0.2

All directors benefited from qualifying third-party indemnity provisions. Further information relating to directors' remuneration is set out in the Directors' Remuneration Report on pages 63 to 78.

No compensation for loss of office payments were paid in either the current or prior year to directors.

### (c) Compensation of key management personnel (including executive directors)

	2020 £m	2019 £m
Short-term employee benefits	6.1	4.3
Post-employment benefits	0.5	0.5
Compensation for loss of office	0.1	–
Share related awards	1.1	–
	<b>7.8</b>	4.8

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 8 FINANCE INCOME

	2020 £m	2019 £m
Bank deposit and other interest income	2.3	5.0
Foreign exchange gain on borrowings not designated as part of a hedging relationship	30.8	11.3
Finance income before adjusting items	33.1	16.3
<i>Adjusting finance income items:</i>		
Foreign exchange gain on financial instrument utilised during refinance transactions	6.9	–
Total Adjusting finance income	6.9	–
<b>Total finance income</b>	<b>40.0</b>	16.3

### 9 FINANCE EXPENSE

	2020 £m	2019 £m
Bank loans, overdrafts and secured notes	98.4	55.3
Other interest	–	7.5
Interest on lease liabilities (note 16)	4.1	4.6
Net interest expense on the net defined benefit liability (note 26)	0.7	1.1
Hedge ineffectiveness	2.5	–
Interest on contract liabilities held (note 21)	1.9	8.8
Finance expense before adjusting items	107.6	77.3
<i>Adjusting finance expense items:</i>		
Premium paid on the early redemption of Senior Secured Notes	21.4	–
Write-off of capitalised borrowing fees upon early settlement of Senior Secured Notes	7.6	–
Loss on financial instruments recognised at fair value through Income Statement (note 23)	45.3	–
Professional fees incurred on refinancing expensed directly to the Income Statement	1.2	–
Movements on derivatives not qualifying for hedge accounting	–	6.6
<b>Total Adjusting finance expense</b>	<b>75.5</b>	6.6
<b>Total finance expense</b>	<b>183.1</b>	83.9

### 10 TAXATION

	2020 £m	2019 restated * £m
Current tax (credit)/charge		
UK corporation tax on losses	(0.6)	(1.3)
Overseas tax	4.7	13.2
Prior period movement	(5.0)	2.0
<b>Total current income tax (credit)/charge</b>	<b>(0.9)</b>	13.9
<i>Deferred tax credit</i>		
Origination and reversal of temporary differences	(64.4)	(15.1)
Prior period movement	8.5	(0.8)
Effect of change in deferred tax rate	1.3	–
<b>Total deferred tax credit</b>	<b>(54.6)</b>	(15.9)
<b>Total income tax credit in the Income Statement</b>	<b>(55.5)</b>	(2.0)

#### **Tax relating to items (credited)/charged to other comprehensive income**

<i>Deferred tax</i>		
Actuarial movement on defined benefit pension plan	(11.2)	(0.2)
Fair value adjustment on cash flow hedges	0.9	0.1
Effect of change in deferred tax rate	(1.1)	–
<i>Current tax</i>		
Fair value adjustment on cash flow hedges	2.2	3.3
	(9.2)	3.2

#### **Tax relating to items charged in equity – deferred tax**

Effect of change in deferred tax rate	(1.6)	–
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\* Detail on the restatement of the comparative period is disclosed in note 2.

## 10 TAX EXPENSE ON CONTINUING OPERATIONS (CONTINUED)

## (a) Reconciliation of the total income tax credit

The tax credit in the Consolidated Statement of Comprehensive Income for the year is lower (2019: lower) than the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%). The differences are reconciled below:

	2020 £m	2019 restated* £m
Loss from operations before taxation	(466.0)	(119.6)
Loss on operations before taxation multiplied by standard rate of corporation tax in the UK of 19.0% (2019: 19.0%)	(88.5)	(22.7)
Difference to total income tax credit due to effects of:		
Expenses not deductible for tax purposes	0.2	0.2
Recognition of previously unrecognised deferred tax asset	–	(6.3)
Movement in unprovided deferred tax	26.1	11.4
Derecognition of deferred tax asset of interest deductible in future periods	–	8.0
Irrecoverable overseas withholding taxes	0.3	1.2
Adjustments in respect of prior periods	3.5	1.2
Effect of lower rates applied to deferred tax	–	2.2
Effect of change in deferred tax rate	1.3	–
Difference in overseas tax rates	0.6	1.5
Other	1.0	1.3
Total income tax credit	(55.5)	(2.0)

## (b) Tax paid

Total net tax paid during the year of £9.2m (2019: £12.5m).

## (c) Factors affecting future tax charges

There are no known factors that will affect the Group's future current tax charge.

## (d) Deferred tax

*Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	Assets 2020 £m	Assets 2019 restated* £m	Liabilities 2020 £m	Liabilities 2019 restated* £m
Property, plant and equipment	(71.1)	(54.2)	–	–
Intangible assets	–	–	135.2	117.3
Employee benefits	(17.6)	(6.3)	–	–
Provisions	(11.1)	(13.7)	–	–
RDEC credit	(9.7)	(7.0)	–	–
Losses	(118.9)	(59.3)	–	–
Share based payments	(13.3)	(13.3)	–	–
Other	–	–	0.6	0.7
Deferred tax (assets)/liabilities	(241.7)	(153.8)	135.8	118.0
Set off of tax liabilities/assets	135.2	108.1	(135.2)	(108.1)
Total deferred tax (assets)/liabilities	(106.5)	(45.7)	0.6	9.9

Where the right exists in certain jurisdictions, deferred tax assets and liabilities have been offset.

\* Detail on the restatement of the comparative period is disclosed in note 2.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 10 TAX EXPENSE ON CONTINUING OPERATIONS (CONTINUED)

#### (d) Deferred tax (continued)

Movement in deferred tax in 2020	1 January 2020 £m	Gross tax recognised in Income and OCI £m	Gross tax recognised in Equity £m	Other movement £m	31 December 2020 £m
Property, plant and equipment	(54.2)	(16.9)	—	—	(71.1)
Intangible assets	117.3	17.9	—	—	135.2
Employee benefits	(6.3)	(11.3)	—	—	(17.6)
Provisions	(13.7)	2.4	—	0.2	(11.1)
Interest deductible in future periods	—	—	—	—	—
RDEC credit	(7.0)	—	—	(2.7)	(9.7)
Losses	(59.3)	(58.0)	—	—	(117.3)
Share based payments	(13.3)	—	(1.6)	—	(14.9)
Other	0.7	(0.1)	—	—	0.6
	(35.8)	(66.0)	(1.6)	(2.5)	(105.9)
Movement in deferred tax in 2019 restated*	1 January 2019 £m	Recognised in Income and OCI £m	Recognised in Equity £m	Other Movement £m	31 December 2019 £m
Property, plant and equipment	(49.3)	(4.9)	—	—	(54.2)
Intangible assets	111.0	6.3	—	—	117.3
Employee benefits	(6.6)	0.3	—	—	(6.3)
Provisions	(0.6)	(13.0)	—	(0.1)	(13.7)
Interest deductible in future periods	(7.6)	7.6	—	—	—
RDEC credit	—	—	—	(7.0)	(7.0)
Losses	(46.3)	(13.0)	—	—	(59.3)
Share based payments	(13.3)	—	—	—	(13.3)
Other	—	0.7	—	—	0.7
	(12.7)	(16.0)	—	(7.1)	(35.8)

\* Detail on the restatement of the comparative period is disclosed in note 2.

Other movements reflect the reclassification of RDEC credits from Trade and other receivables to deferred tax and foreign exchange differences.

The Group believes that it is appropriate to recognise a Deferred Tax Asset in respect of historic tax losses due to the future forecast profitability of the Group as demonstrated by the business plan.

In addition to the deferred tax recognised above, the Group has a £47.4m (2019 restated: £19.4m) unrecognised net deferred tax asset in respect of interest deductions deductible in future periods where the likelihood of recoverability is not considered to support recognition of the asset.

The aggregate amount of temporary differences associated with investment in subsidiaries and branches, for which deferred tax liabilities have not been recognised is £38.0m for the year ended 31 December 2020 (2019: £32.5m).

### 11 DIVIDENDS

No dividends were declared or paid by the Company in the year-ended 31 December 2020 (2019: £nil).

During the year ended 31 December 2020 a dividend of £13.1m was declared by Aston Martin Works Limited (2019: £9.8m), of which the Group holds 50% of the voting rights and share capital. The terms of the 2020 and 2019 dividend required the element due to the non-controlling interest to be fully offset with balances owed to subsidiaries of the Group resulting in no cash outflow.

## 12 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the loss for the year available for equity holders by the weighted average number of ordinary shares in issue during the year. As part of the Strategic Cooperation Agreement entered into in December 2020 with Mercedes-Benz AG, shares were issued for access to tranche 1 technology (see note 13). The Agreement includes an obligation to issue further shares for access to further technology in a future period. Warrants to acquire shares in the Company were issued in December 2020 as part of the refinancing of the Group (see note 23). Up to 6,332,393 ordinary shares could be issued to warrant holders who can exercise their rights from 1 July 2021. Both of these transactions may have a dilutive effect in future periods if the group generates a profit.

Diluted earnings per ordinary share is calculated by adjusting basic earnings per ordinary share to reflect the notional exercise of the weighted average number of dilutive ordinary share awards outstanding during the year including the future technology shares and warrants detailed above. The weighted average number of dilutive ordinary share awards outstanding during the year are excluded when including them would be anti-dilutive to the earnings per share value.

	2020	2019 restated*
Continuing and total operations		
<b>Basic earnings per ordinary share</b>		
Loss available for equity holders (£m)	(419.3)	(126.4)
Basic weighted average number of ordinary shares (million) <sup>2</sup>	77.2	43.5
Basic loss per ordinary share (pence)	(543.0p)	(290.6p)

### Diluted earnings per ordinary share

	2020	2019
	Number	Number
Loss available for equity holders (£m)	(419.3)	(126.4)
Diluted weighted average number of ordinary shares (million) <sup>2</sup>	77.2	43.5
Diluted loss per ordinary share (pence)	(543.0p)	(290.6p)

	2020	2019
	Number	Number
Diluted weighted average number of ordinary shares is calculated as:		
Basic weighted average number of ordinary shares <sup>1,2</sup> (million)	77.2	43.5
Adjustments for calculation of diluted earnings per share <sup>3</sup> :		
Long-term incentive plans	–	–
Issue of unexercised ordinary share warrants	–	–
Issue of tranche 2 shares	–	–
Weighted average number of diluted ordinary shares (million)	77.2	43.5

1. Additional ordinary shares issued as a result of the rights issue conducted in 2020 have been incorporated in the 2019 earnings per share calculation in full without any time apportionment.

2. Average number of ordinary shares has been reduced by a ratio of 20:1 reflecting the share consolidation undertaken in December 2020.

3. The number of ordinary shares issued as part of the long-term incentive plans, and the potential number of ordinary shares issued as part of the 2020 issue of share warrants have been excluded from the weighted average number of diluted ordinary shares as including them is anti-dilutive to diluted earnings per share.

Adjusted earnings per share is disclosed in note 34 to show performance undistorted by adjusting items and give a more meaningful comparison of the Group's performance.

\* To aid users understanding of the movement in the Basic and Diluted earnings per ordinary share presented for the comparative period, the following table reconciles the numbers presented in the 2019 Annual Report and Accounts to those presented above.

	As presented 2019 Annual Report	VME error correction (note 2)	As Restated (note 1)	Bonus element of right issue (note 27)	Share consolidation (note 27)	As presented above
Continuing and total operations – 12 months ended 31 December 2019						
<b>Basic earnings per ordinary share</b>						
Loss available for equity holders (£m)	(113.2)	(13.2)	<b>(126.4)</b>	–	–	<b>(126.4)</b>
Basic weighted average number of ordinary shares (million)	228.0	–	<b>228.0</b>	642.4	(826.9)	<b>43.5</b>
Basic loss per ordinary share (pence)	(49.6p)	(5.8p)	<b>(55.4p)</b>	40.9p	(276.1p)	<b>(290.6p)</b>
<b>Diluted earnings per ordinary share</b>						
Loss available for equity holders (£m)	(113.2)	(13.2)	<b>(126.4)</b>	–	–	<b>(126.4)</b>
Diluted weighted average number of ordinary shares (million)	228.0	–	<b>228.0</b>	642.4	(826.9)	<b>43.5</b>
Diluted loss per ordinary share (pence)	(49.6p)	(5.8p)	<b>(55.4p)</b>	40.9p	(276.1p)	<b>(290.6p)</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 13 INTANGIBLE ASSETS

	Goodwill £m	Brands £m	Technology £m	Capitalised Development Cost £m	Dealer Network £m	Software and other £m	Total £m
<b>Cost</b>							
Balance at 1 January 2019	85.4	297.6	21.2	1,032.1	15.4	58.9	1,510.6
Additions	–	–	–	226.0	–	2.0	228.0
Balance at 31 December 2019	85.4	297.6	21.2	1,258.1	15.4	60.9	1,738.6
<b>Balance at 1 January 2020</b>	<b>85.4</b>	<b>297.6</b>	<b>21.2</b>	<b>1,258.1</b>	<b>15.4</b>	<b>60.9</b>	<b>1,738.6</b>
<b>Additions</b>	<b>–</b>	<b>–</b>	<b>142.3</b>	<b>177.6</b>	<b>–</b>	<b>2.1</b>	<b>322.0</b>
<b>Balance at 31 December 2020</b>	<b>85.4</b>	<b>297.6</b>	<b>163.5</b>	<b>1,435.7</b>	<b>15.4</b>	<b>63.0</b>	<b>2,060.6</b>
<b>Amortisation</b>							
Balance at 1 January 2019	0.6	–	4.3	378.9	8.5	46.6	438.9
Charge for the year	–	–	1.9	82.0	0.8	4.3	89.0
Adjustment	(0.6)	–	–	–	–	–	(0.6)
Impairment (note 14)	–	–	–	27.7	–	–	27.7
Balance at 31 December 2019	–	–	6.2	488.6	9.3	50.9	555.0
<b>Balance at 1 January 2020</b>	<b>–</b>	<b>–</b>	<b>6.2</b>	<b>488.6</b>	<b>9.3</b>	<b>50.9</b>	<b>555.0</b>
<b>Charge for the year</b>	<b>–</b>	<b>–</b>	<b>1.9</b>	<b>93.6</b>	<b>0.8</b>	<b>3.1</b>	<b>99.4</b>
<b>Impairment (note 14)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>69.4</b>	<b>–</b>	<b>–</b>	<b>69.4</b>
<b>Balance at 31 December 2020</b>	<b>–</b>	<b>–</b>	<b>8.1</b>	<b>651.6</b>	<b>10.1</b>	<b>54.0</b>	<b>723.8</b>
<b>Net book value</b>							
At 1 January 2019	84.8	297.6	16.9	653.2	6.9	12.3	1,071.7
At 31 December 2019	85.4	297.6	15.0	769.5	6.1	10.0	1,183.6
<b>At 1 January 2020</b>	<b>85.4</b>	<b>297.6</b>	<b>15.0</b>	<b>769.5</b>	<b>6.1</b>	<b>10.0</b>	<b>1,183.6</b>
<b>At 31 December 2020</b>	<b>85.4</b>	<b>297.6</b>	<b>155.4</b>	<b>784.1</b>	<b>5.3</b>	<b>9.0</b>	<b>1,336.8</b>

On 7 December 2020, the Company issued 224,657,287 shares to Mercedes-Benz AG ("MBAG") as consideration for access to the first tranche of powertrain and electronic architecture via a Strategic Cooperation Agreement. The Group was required to undertake a valuation exercise to measure the fair value of the access to the MBAG technology upon its initial capitalisation. The Group selected the "With and Without" income approach which compares the net present value of cash flows from the Group's business plan prior to ("without") and after ("with") the access to the technology. This methodology estimates the present value of the net benefit associated with acquiring the access to the technology. In the Group's assessment, the fair value of access to this technology is £142.3m. The £142.3m represents the assumed cost at acquisition after which the cost model will be adopted. Amortisation will commence when the asset is considered available for use.

During the year-ended 31 December 2020 the Group received £nil of grants relating to qualifying development expenditure (2019: £3.3m). There are no unfulfilled conditions or other contingencies attached, with amounts received deducted from the carrying value of capitalised development costs.

### 14 IMPAIRMENT TESTING

#### INDEFINITE USEFUL LIFE NON-CURRENT ASSETS

Goodwill and brands acquired through business combinations have been allocated for impairment testing purposes to one cash-generating unit – the Aston Martin Lagonda Group business. This represents the lowest level within the Group at which goodwill and brands are monitored for internal purposes. The Group also considers the carrying value of its assets in the context of the Group's market capitalisation. At this level, it was concluded that the net assets of the Group are recoverable owing to the Group's market capitalisation of £2.3bn at 31 December 2020.

The Group tests the carrying value of goodwill and brands at the cash-generating unit level for impairment annually or more frequently if there are indicators that goodwill or brands might be impaired. At the year-end reporting date, a review was undertaken on a value in use basis, assessing whether the carrying values of goodwill and brands were supported by the net present value of future cash flows derived from those assets.

#### Key assumptions used in value in use calculations

The calculation of value in use for the cash-generating unit is most sensitive to the following assumptions:

- Cash flows were projected based on actual operating results and the current five-year plan. Beyond this, cash flows were extrapolated using a constant growth rate of 2% per annum using a like-for-like cost and volume basis as the Group transitions to electric powered vehicles. Key assumptions such as revenue, gross margin and fixed costs within the forecasts are based on past experience and the current business plan;
- Discount rates are calculated using a weighted average cost of capital approach. They reflect the individual nature and specific risks relating to the business and the market in which the Group operates. The pre-tax discount rate used was 11.1% (2019: 9.0%); and
- An exchange rate of \$1.29/£ has been used for 2021, with \$1.29/£ used for 2022 into perpetuity.

**14 IMPAIRMENT TESTING (CONTINUED)****INDEFINITE USEFUL LIFE NON-CURRENT ASSETS (CONTINUED)****Sensitivity analysis**

- the pre-tax discount rate would need to increase to 13.3% for the assets to become impaired; or
- the growth rate of 2.0% per annum beyond the five-year plan would need to be -2.2% for the assets to become impaired; or
- the USD exchange rate would need to increase to \$1.57/£ (with all other currencies moving against the £ in line with the \$) for the assets to become impaired.

**FINITE USEFUL LIFE NON-CURRENT ASSETS**

Recoverability of non-current assets with finite useful lives include property, plant and equipment, right-of-use lease assets and certain intangible assets. Intangible assets with finite useful lives mainly consist of capitalized development costs.

The Group reviews the carrying amount of non-current assets with finite useful lives when events and circumstances indicate that an asset may be impaired. Impairment tests are performed by comparing the carrying amount and the recoverable amount of the cash-generating unit ("CGU"). The recoverable amount is the higher of the CGU's fair value less costs of disposal and its value in use.

In assessing the value in use, the estimated future cash flows relating to the forecast usage period of the asset, or group of assets, are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks. The pre-tax discount rate used was 11.1%.

**IMPAIRMENT**

The following table details impairments made to the Group's assets.

	2020 £m	2019 £m
Development costs (note 13)	<b>69.4</b>	27.7
Plant, machinery, fixtures and fittings (note 15)	3.8	4.7
Tooling (note 15)	3.3	3.7
Inventory	–	2.3
Right-of-use lease assets (note 16)	2.8	1.0
<b>Total impairment charge recognised as adjusting in the Consolidated Income Statement (note 6)</b>	<b>79.3</b>	39.4

**2020**

Announced in 2020, the Group commenced a rationalisation exercise to reduce its geographical footprint. The execution of this exercise throughout 2020 resulted in a total right-of-use lease asset impairment of £2.8m across 2 sites where the recoverable value was deemed to be nil. Furthermore, an impairment charge of £3.8m has been recognised to reflect plant and machinery that will no longer bring economic benefit to the Group.

In October 2020 the Group entered into an expanded and enhanced technology agreement with Mercedes-Benz AG contingent on shareholder approval, anti-trust and underwriting conditions. This Strategic Cooperation Agreement gives the Group access to powertrain architecture (for conventional, hybrid, and electric vehicles) and future oriented electric/electronic architecture for all product launches through to 2027.

Following completion of this transaction in December 2020, the benefits of this enhanced partnership were reflected in the Group's business plan and future strategy to achieve its medium-term targets. The updated strategy principally focused on changes to future vehicle powertrain and electrical architecture in addition to changes to the volume mix and cadence of vehicle derivatives.

The impact of these changes resulted in the impairment of £69.4m of capitalised development costs and £3.3m of tooling assets which included writing down existing hybrid powertrain development to nil.

The impairment of each asset group was determined using a value in use methodology whereby any impairment was capped by the net present value of expected future cashflows still anticipated to flow from those assets where they remain in use. Any assets where no future benefit is expected were written off in full.

**2019**

At 31 December 2019 the Group was engaged in early stage discussions with strategic investors in relation to building longer term relationships. The impact on current project lifecycles and the cadence of future model launches was under review.

On 31 January 2020, the Group announced its intention to strengthen its financial position in order to immediately improve liquidity and reduce leverage. A proposed placing of newly issued ordinary shares of the Company to a Consortium, and a subsequent underwritten rights issue, was proposed for completion following the publication of the 2019 Annual Report and Accounts. The Group and ventures affiliated to the Consortium agreed, as part of the reset business plan, to control medium-term investment requirements providing greater financial stability and flexibility. The Lagonda brand was expected to be relaunched no earlier than 2025 and while development of Rapide E was substantially complete, the programme was paused pending further review.

With the aforementioned indicators of impairment, a review of the carrying value of Rapide E assets and assets carried across from Rapide as part of the Group's carry-over-carry-across ("COCA") principle was completed. As a result of this review an impairment charge was recognised in full for the Rapide E assets.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and Buildings £m	Tooling £m	Plant, machinery, fixtures and fittings £m	Motor Vehicles £m	Total £m
<b>Cost</b>					
Balance at 1 January 2019	68.7	417.8	172.2	0.7	659.4
Additions	–	46.6	37.0	–	83.6
Transfer to right-of-use lease assets (note 16)	–	–	(3.3)	–	(3.3)
Disposals	–	(1.2)	–	–	(1.2)
Effect of movements in exchange rates	(0.2)	–	(0.1)	–	(0.3)
Balance at 31 December 2019	68.5	463.2	205.8	0.7	738.2
<b>Balance at 1 January 2020</b>	<b>68.5</b>	<b>463.2</b>	<b>205.8</b>	<b>0.7</b>	<b>738.2</b>
Additions	–	70.5	23.4	–	93.9
Transfer to right-of-use lease assets (note 16)	–	–	(2.4)	–	(2.4)
Disposals	–	–	–	–	–
Effect of movements in exchange rates	0.2	–	–	–	0.2
<b>Balance at 31 December 2020</b>	<b>68.7</b>	<b>533.7</b>	<b>226.8</b>	<b>0.7</b>	<b>829.9</b>
<b>Depreciation</b>					
Balance at 1 January 2019	25.3	270.5	50.4	0.2	346.4
Charge for the year	2.3	21.2	9.9	–	33.4
Disposals	–	(0.3)	–	–	(0.3)
Impairment (note 14)	–	3.7	4.7	–	8.4
Effect of movements in exchange rates	(0.1)	–	(0.1)	–	(0.2)
Balance at 31 December 2019	27.5	295.1	64.9	0.2	387.7
<b>Balance at 1 January 2020</b>	<b>27.5</b>	<b>295.1</b>	<b>64.9</b>	<b>0.2</b>	<b>387.7</b>
Charge for the year	2.3	29.0	14.1	–	45.4
Impairment (note 14)	–	3.3	3.8	–	7.1
Effect of movements in exchange rates	0.1	–	–	–	0.1
<b>Balance at 31 December 2020</b>	<b>29.9</b>	<b>327.4</b>	<b>82.8</b>	<b>0.2</b>	<b>440.3</b>
<b>Net book value</b>					
At 1 January 2019	43.4	147.3	121.8	0.5	313.0
At 31 December 2019	41.0	168.1	140.9	0.5	350.5
<b>At 1 January 2020</b>	<b>41.0</b>	<b>168.1</b>	<b>140.9</b>	<b>0.5</b>	<b>350.5</b>
<b>At 31 December 2020</b>	<b>38.8</b>	<b>206.3</b>	<b>144.0</b>	<b>0.5</b>	<b>389.6</b>

Property, plant and equipment provides security for a fixed and floating charge in favour of the Aston Martin Lagonda Limited pension scheme.

Assets in the course of construction at a cost of £21.7m (2019: £126.1m) are not depreciated until available for use and are included within tooling, plant and machinery. The gross value of freehold land and buildings includes freehold land of £6.1m (2019: £6.1m) which is not depreciated. Capital commitments are disclosed in note 30. In 2020 the Group received £0.6m of government grants relating to qualifying tooling expenditure (2019: £2.3m). There are no unfulfilled conditions or other contingencies attached, with amounts received deducted from the tooling carrying value.

The tables below analyse the net book value of the Group's property, plant and equipment by geographic location.

	United Kingdom £m	Rest of Europe £m	The Americas £m	Asia Pacific £m	Total £m
<b>At 31 December 2020</b>					
Freehold land and buildings	36.7	2.1	–	–	38.8
Tooling	100.3	101.7	1.5	2.8	206.3
Plant, machinery, fixtures and fittings, and motor vehicles	144.0	0.3	0.2	–	144.5
	<b>281.0</b>	<b>104.1</b>	<b>1.7</b>	<b>2.8</b>	<b>389.6</b>

## 15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	United Kingdom £m	Rest of Europe £m	The Americas £m	Asia Pacific £m	Total £m
At 31 December 2019					
Freehold land and buildings	38.9	2.1	–	–	41.0
Tooling	105.3	62.6	0.2	–	168.1
Plant, machinery, fixtures and fittings, and motor vehicles	140.8	0.3	0.3	–	141.4
	285.0	65.0	0.5	0.1	350.5

## 16 LEASES

The Group holds lease contracts for buildings, plant and machinery and IT equipment.

## a) Right-of-use lease assets

	Properties £m	Plant and machinery £m	IT equipment £m	Total £m
<b>Cost</b>				
Introduced on adoption of IFRS 16 at 1 January 2019	72.7	4.6	5.2	82.5
Additions	3.3	5.3	1.2	9.8
Modifications	(0.3)	–	–	(0.3)
Transfer from tangible fixed assets (note 15)	–	3.3	–	3.3
Effect of movements in exchange rates	(0.4)	–	–	(0.4)
Balance at 31 December 2019	75.3	13.2	6.4	94.9
<b>Balance at 1 January 2020</b>	<b>75.3</b>	<b>13.2</b>	<b>6.4</b>	<b>94.9</b>
<b>Additions</b>	<b>0.1</b>	<b>–</b>	<b>0.1</b>	<b>0.2</b>
<b>Transfer from tangible fixed assets (note 15)</b>	<b>–</b>	<b>2.4</b>	<b>–</b>	<b>2.4</b>
<b>Modifications</b>	<b>1.7</b>	<b>–</b>	<b>–</b>	<b>1.7</b>
<b>Effect of movements in exchange rates</b>	<b>0.3</b>	<b>–</b>	<b>–</b>	<b>0.3</b>
<b>Balance at 31 December 2020</b>	<b>77.4</b>	<b>15.6</b>	<b>6.5</b>	<b>99.5</b>
<b>Depreciation</b>				
Introduced on adoption of IFRS 16 at 1 January 2019	–	–	–	–
Charge for the year	7.7	2.1	2.5	12.3
Impairment (note 14)	1.0	–	–	1.0
Effect of movements in exchange rates	(0.2)	–	–	(0.2)
Balance at 31 December 2019	8.5	2.1	2.5	13.1
<b>Balance at 1 January 2020</b>	<b>8.5</b>	<b>2.1</b>	<b>2.5</b>	<b>13.1</b>
<b>Charge for the year</b>	<b>7.2</b>	<b>2.5</b>	<b>2.3</b>	<b>12.0</b>
<b>Impairment (note 14)</b>	<b>2.8</b>	<b>–</b>	<b>–</b>	<b>2.8</b>
<b>Effect of movements in exchange rates</b>	<b>0.2</b>	<b>–</b>	<b>–</b>	<b>0.2</b>
<b>Balance at 31 December 2020</b>	<b>18.7</b>	<b>4.6</b>	<b>4.8</b>	<b>28.1</b>
<b>Carrying value</b>				
Introduced on adoption of IFRS 16 at 1 January 2019	72.7	4.6	5.2	82.5
At 31 December 2019	66.8	11.1	3.9	81.8
<b>At 1 January 2020</b>	<b>66.8</b>	<b>11.1</b>	<b>3.9</b>	<b>81.8</b>
<b>At 31 December 2020</b>	<b>58.7</b>	<b>11.0</b>	<b>1.7</b>	<b>71.4</b>

Income from the sub-leasing of right-of-use assets in the year 31 December 2020 was £0.7m (2019: £0.3m). The Group recognises the lease payments received on a straight-line basis over the lease term within Administrative and other operating expenses in the Consolidated Income Statement.

## b) Obligations under leases

The maturity profile of undiscounted lease cash flows accounted for under IFRS 16 are:

	2020 £m	2019 £m
Less than one year	13.0	14.8
One to five year	42.2	30.4
More than five years	93.0	126.4
	148.2	171.6

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 16 LEASES (CONTINUED)

The maturity profile of discounted lease cash flows accounted for under IFRS 16 are:

	2020 £m	2019 £m
Less than one year	9.3	14.1
One to five year	27.3	26.3
More than five years	66.4	71.0
	<b>103.0</b>	111.4
Analysed as:		
Current	9.3	14.1
Non-current	93.7	97.3
	<b>103.0</b>	111.4

A reconciliation of the lease liability from 1 January to 31 December for the current and prior year is disclosed within note 28.

The total lease interest expense for the year ended 31 December 2020 was £4.1m (2019: £4.6m). Total cash outflow for leases accounted for under IFRS 16 for the current year was £16.3m (2019: £15.5m). Expenses charged to the Consolidated Income Statement for short-term and low-value leases for the year-ended 31 December 2020 were £0.6m and £nil respectively (2019: £1.0m and £0.2m). The portfolio of short-term leases at 31 December 2020 is representative of the expected annual short-term lease expense in future years.

The following disclosure has been included to facilitate the understanding of the impact of adopting IFRS 16 on the Group due to covenants in the Group's finance arrangements that continue to use IAS17.

The impact of IFRS 16 on the Consolidated Income Statement excluding tax, for the year-ended 31 December 2020 is:

	As reported 31 December 2020 £m	Add back IFRS 16 interest charge £m	Add back IFRS 16 depreciation charge £m	Less Amortisation of Legal fees £m	Less Lease incentives £m	Less IAS 17 lease cost £m	Excluding impact of IFRS 16 31 December 2020 £m
<b>Revenue</b>	<b>611.8</b>	–	–	–	–	–	<b>611.8</b>
<b>Cost of sales</b>	<b>(500.7)</b>	–	–	–	–	–	<b>(500.7)</b>
<b>Gross profit</b>	<b>111.1</b>	–	–	–	–	–	<b>111.1</b>
<b>Selling and distribution expenses</b>	<b>(79.6)</b>	–	–	–	–	–	<b>(79.6)</b>
<b>Administrative and other operating expenses</b>	<b>(354.4)</b>	–	<b>12.0</b>	(0.1)	<b>1.1</b>	(13.9)	<b>(355.3)</b>
<b>Other expense</b>	–	–	–	–	–	–	–
<b>Operating loss</b>	<b>(322.9)</b>	–	<b>12.0</b>	(0.1)	<b>1.1</b>	(13.9)	<b>(323.8)</b>
<b>Finance income</b>	<b>40.0</b>	–	–	–	–	–	<b>40.0</b>
<b>Finance expense</b>	<b>(183.1)</b>	<b>4.1</b>	–	–	–	–	<b>(179.0)</b>
<b>(Loss)/profit before tax</b>	<b>(466.0)</b>	<b>4.1</b>	<b>12.0</b>	(0.1)	<b>1.1</b>	(13.9)	<b>(462.8)</b>
 <b>Adjusted EBITDA (note 34)</b>	 <b>(70.1)</b>	 –	 –	 (0.1)	 1.1	 (13.9)	 <b>(83.0)</b>

The impact of IFRS 16 on the Consolidated Income Statement excluding tax, for the year-ended 31 December 2019 is:

	As reported 31 December 2019 £m	Add back IFRS 16 interest charge £m	Add back IFRS 16 depreciation charge £m	Less Amortisation of Legal fees £m	Less Lease incentives £m	Less IAS 17 lease cost £m	Excluding impact of IFRS 16 31 December 2019 £m
<b>Revenue</b>	<b>980.5</b>	–	–	–	–	–	<b>980.5</b>
<b>Cost of sales</b>	<b>(642.7)</b>	–	–	–	–	–	<b>(642.7)</b>
<b>Gross profit</b>	<b>337.8</b>	–	–	–	–	–	<b>337.8</b>
<b>Selling and distribution expenses</b>	<b>(95.0)</b>	–	–	–	–	–	<b>(95.0)</b>
<b>Administrative and other operating expenses</b>	<b>(275.8)</b>	–	<b>12.3</b>	(0.2)	<b>1.2</b>	(15.5)	<b>(277.0)</b>
<b>Other (expense)/income</b>	<b>(19.0)</b>	–	–	–	–	–	<b>(19.0)</b>
<b>Operating profit/(loss)</b>	<b>(52.0)</b>	–	<b>12.3</b>	(0.2)	<b>1.2</b>	(15.5)	<b>(53.2)</b>
<b>Finance income</b>	<b>16.3</b>	–	–	–	–	–	<b>16.3</b>
<b>Finance expense</b>	<b>(83.9)</b>	<b>4.6</b>	–	–	–	–	<b>(79.3)</b>
<b>(Loss)/profit before tax</b>	<b>(119.6)</b>	<b>4.6</b>	<b>12.3</b>	(0.2)	<b>1.2</b>	(15.5)	<b>(116.2)</b>
 <b>Adjusted EBITDA (note 34)</b>	 <b>118.9</b>	 –	 –	 (0.2)	 1.2	 (15.5)	 <b>104.4</b>

**17 INVENTORIES**

	2020 £m	2019 £m
Parts for resale, service parts and production stock	80.9	68.8
Work in progress	43.9	32.1
Finished vehicles	82.6	99.8
	<b>207.4</b>	200.7

Finished vehicles includes Group owned service cars at a net realisable value of £35.7m (2019: £23.4m).

During the years ended 31 December 2020 and 2019 inventory repurchase arrangements were entered for certain parts for resale, service parts and production stock. These inventories were sold and subsequently repurchased – see note 21 for further details.

**18 TRADE AND OTHER RECEIVABLES**

	2020 £m	2019 £m
<b>Amounts included in current assets</b>		
Trade receivables	101.7	173.3
Indirect taxation	33.2	23.7
Prepayments	23.6	24.4
Other receivables	19.4	28.3
	<b>177.9</b>	249.7
<b>Amounts included in non-current assets</b>		
Other receivables	0.9	1.8

Trade and other receivables are non-interest bearing and generally have terms of less than 60 days. Due to their short maturities, the fair value of trade and other receivables approximates to their book value.

Credit risk is discussed further in note 23.

The carrying amount of trade and other receivables at 31 December, converted into Sterling at the year-end exchange rates, are denominated in the following currencies (excluding prepayments):

	2020 £m	2019 £m
Sterling	81.2	111.3
Chinese Renminbi	1.7	18.4
Euro	9.8	20.5
US Dollar	34.2	75.1
Other	28.3	1.8
	<b>155.2</b>	227.1

**WHOLESALE FINANCE FACILITY**

All financed vehicle sales are made directly to third-party Aston Martin franchised dealers with a large proportion financed through a wholesale finance facility.

At 31 December 2020, the wholesale finance facility limit with Standard Chartered Bank plc was £75.0m (2019: £150m facility) supported by a credit insurance policy. The utilisation of the facility as at 31 December 2020 is £37.8m (2019: £99.6m) and, due to the off-balance sheet treatment, is not recorded in trade receivables in the Group's Statement of Financial Position.

Vehicles can be financed through this facility up to 45 days from invoice date to allow for any timing delays in despatching a vehicle and processing. Under the trade finance facility, Standard Chartered Bank plc advance to the Group the sales value of vehicles which have been despatched upon receipt of certain documentation. Standard Chartered Bank plc assume substantially all of the risks associated with the wholesale financing scheme and hence they bear substantially all of the credit risk associated with dealers purchasing vehicles through the wholesale finance scheme. Taking into consideration the Group's exposure to variability in cash flows both before and after the transfer, the financing arrangement is treated as off-balance sheet.

The Group incurs a finance charge on vehicles financed through the scheme based on each currency LIBOR at the draw down date.

During 2020, the Group arranged an additional £102.2m wholesale finance facility, with the capability to increase to £150m, with a panel of banks led by JPMorgan Chase Bank, N.A., London Branch for use during 2021. At 31 December 2020 the facility is undrawn. Under the trade finance facility, Velocitas Funding Designated Activity Company advances to the Group the sales value of vehicles that have been despatched upon receipt of certain documentation. The facility is available for an initial period of 12 months from the date of first drawdown.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 19 CASH AND CASH EQUIVALENTS

	2020 £m	2019 £m
Cash at bank and in hand	<b>489.4</b>	107.9

Cash at bank when placed on deposit earns interest at floating rates based on daily bank deposit rates. The book value of cash and cash equivalents approximates to their fair value.

Cash is held in the following currencies; those held in currencies other than Sterling have been converted into Sterling at year end exchange rates:

	2020 £m	2019 £m
Sterling	<b>365.0</b>	14.3
Chinese Renminbi	<b>58.2</b>	46.5
Euro	<b>7.4</b>	12.1
US Dollar	<b>46.5</b>	29.6
Other	<b>12.3</b>	5.4
	<b>489.4</b>	107.9

*Included within the above:*

	2020 £m	2019 £m
Restricted cash	<b>35.8</b>	36.3

The Group has a series of one-year back-to-back loan arrangements with HSBC Bank plc ("HSBC"), whereby Chinese Renminbi to a value at the time of £34.4m (2019: £36.7m) have been deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued at 31 December 2020 to £35.8m (2019: £36.3m) and is shown in the cash and cash equivalents value above.

### 20 OTHER FINANCIAL ASSETS

	2020 £m	2019 £m
Forward currency contracts held at fair value	<b>0.8</b>	0.4
Cash held not available for short-term use	<b>9.9</b>	8.7
Other derivative contracts	<b>4.0</b>	–
	<b>14.7</b>	9.1

*Analysed as:*

	2020 £m	2019 £m
Current	<b>14.6</b>	8.9
Non-current	<b>0.1</b>	0.2
	<b>14.7</b>	9.1

The Group uses forward currency contracts to partly manage the risk associated with fluctuations in exchange rates on future sales contracts. At the reporting date these cash flow hedges are marked-to-market and any assets are shown as other financial assets in the Statement of Financial Position.

At 31 December 2020 £9.9m held in certain local bank accounts had been frozen in relation to local arbitration proceedings (2019: £8.7m). At the year-end the cash held in these accounts did not meet the definition of cash and cash equivalents and therefore has been classified as an other financial asset.

Other derivative contracts comprises warrant options and non-option derivatives both of which entitle the Group to subscribe for equity in AMR GP Limited (formerly Racing Point UK Limited). The warrant options were recorded as an embedded option derivative asset at £2.9m on initial recognition on 31 March 2020. The fair value movement in the options for the year ended 31 December 2020 was £0.7m and is recognised within the Income Statement in administrative expenses. A corresponding liability was recognised on inception of the arrangement (see note 23) which represents an accrual for that element of future sponsorship payments. If the option is exercised within the next 5 years the liability is extinguished in the year of exercise, if the option is not exercised the liability will be subject to the renewal of the sponsorship agreement and may continue for the following 5 years.

The fair value of the warrant equity option above has been established by applying the proportion of equity represented by the derivative to an assessment of the enterprise value of AMR GP Limited, which is then adjusted to reflect marketability and control commensurate with the size of the investment. The enterprise value has been estimated using a blend of measures including an income-based approach and a market-based approach. Due to the size of the potential investment, as a proportion of the equity of AMR GP Limited, there are no plausible sensitivities which would give rise to a material variation in the carrying value of the derivative.

There is a further embedded derivative in the agreement in respect of an additional economic interest in the equity of AMR GP Limited which has been assessed as having a carrying value of £nil at inception. This derivative entitles the Group to subscribe for further share capital in AMR GP Limited in the event that the sponsorship agreement is extended for a further 5 year period. The fair value movement in this derivative for the year ended 31 December 2020 was £0.4m and is recognised within the Income Statement in administrative expenses. The movement in the value of this derivative has been estimated using the same method as the warrant equity option disclosed above. There is no corresponding liability recorded as it is a non-option embedded derivative.

**21 TRADE AND OTHER PAYABLES****CURRENT TRADE AND OTHER PAYABLES**

	2020 £m	2019 restated <sup>1*</sup> £m
Trade payables	<b>104.3</b>	138.5
Customer deposits and advances	<b>268.5</b>	319.3
Accruals and other payables	<b>200.4</b>	272.0
Deferred income – service packages	<b>4.4</b>	3.7
Due to related parties (note 31)	<b>1.3</b>	0.6
	<b>578.9</b>	734.1

\* See note 2 for further detail on the restatement.

Trade payables are non-interest bearing and it is the Group's policy to settle the liability within 90 days.

At 31 December 2020 a repurchase liability of £38.2m including accrued interest of £0.3m has been recognised in accruals and other payables and Net Debt (see note 24). In 2020, £64.0m of parts for resale, service parts and production stock were sold for £76.8m (gross of indirect tax) and subsequently repurchased, of which £40.0m has been subsequently repaid. Under these repurchase agreements, the Group will repay a further £40.0m gross of indirect tax. As part of this arrangement legal title to the parts was surrendered however control remained with the Group. The terms of this repurchase arrangement require the liability to be fully settled in 2021.

At 31 December 2019 a repurchase liability of £38.9m including accrued interest of £0.2m, was recognised in accruals and other payables and Net Debt (see note 24). In November 2019, £32.2m of parts for resale, service parts and production stock were sold for £38.7m (gross of indirect tax) and subsequently repurchased. Under the repurchase agreement, the Group will repay £40.0m gross of indirect tax. As part of this arrangement legal title to the parts was surrendered however control remained with the Group. This liability was settled in 2020.

Changes in the Group's contract liabilities during the year are summarised as follows:

£m	At 1 January 2020	Additional amounts arising during the period	Amounts recognised within revenue	Significant financing component for which an interest charge is recognised	Amounts returned and other changes	At 31 December 2020
<b>Customer deposits and advances</b>	<b>319.3</b>	<b>87.8</b>	<b>(61.6)</b>	<b>1.9</b>	<b>(78.9)</b>	<b>268.5</b>
<b>Deferred income – service packages</b>	<b>13.1</b>	<b>4.0</b>	<b>(5.2)</b>	<b>–</b>	<b>–</b>	<b>11.9</b>

£m	At 1 January 2019	Additional amounts arising during the period	Amounts recognised within revenue	Significant financing component for which an interest charge is recognised	Amounts returned and other changes	At 31 December 2019
<b>Customer deposits and advances</b>	<b>270.9</b>	<b>116.1</b>	<b>(55.3)</b>	<b>8.8</b>	<b>(21.2)</b>	<b>319.3</b>
<b>Deferred income – service packages</b>	<b>12.5</b>	<b>7.6</b>	<b>(7.0)</b>	<b>–</b>	<b>–</b>	<b>13.1</b>

Customer deposits and advances are recognised in revenue when the performance obligation, principally the supply of a limited-edition vehicle or service of a vehicle, is met by the Group. As part of the normal operating cycle of special vehicle projects, for which these customer deposits primarily relate to, the Group expects to derecognise a significant proportion over the next 3 years with approximately £94.0m expected to be recognised in 2021.

In the year ended 31 December 2020, a finance expense of £1.9m (see note 9) was recognised as a significant financing component on contract liabilities held for greater than 12 months (2019: £8.8m). Upon satisfaction of the linked performance obligation, the liability is released to revenue so that the total amount taken to the Consolidated Income Statement reflects the sales price the customer would have paid for the vehicle at that point in time.

The Group applies a practical expedient for short-term advances received from customers whereby the advanced payment is not adjusted for the effects of a significant financing component. According to the individual terms of the special vehicle contract and the position of the customer in the staged deposit and vehicle specification process, some deposits are contractually refundable. At 31 December 2020 the Group held £43.1m of contractually refundable deposits (before the impact of significant financing components) (2019: £78.5m). The special vehicle programs are typically oversubscribed and, in the event that a customer requests reimbursement of their advanced payment, the newly created allocation is then given to an alternative customer whom is required to make an equivalent advanced payment. The cumulative significant financing component associated with a reimbursed advance payment is credited in arriving at the net significant finance charge for the year. Further liquidity risk considerations are disclosed in note 23.

Deferred service package income is recognised in revenue over the service package period.

**NON-CURRENT TRADE AND OTHER PAYABLES**

	2020 £m	2019 £m
Deferred income – service packages	7.5	9.4

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 22 OTHER FINANCIAL LIABILITIES

	2020 £m	2019 £m
Forward currency contracts held at fair value	0.5	8.9
Other derivative contracts (see note 20)	2.9	–
Derivative option over own shares (see note 23)	79.9	–
	<b>83.3</b>	8.9
Analysed as:		
Current	83.3	6.3
Non-current	–	2.6
	<b>83.3</b>	8.9

### 23 FINANCIAL INSTRUMENTS

#### GROUP

The Group's principal financial instruments comprise Cash and Cash Equivalents, Senior Secured Notes ("SSNs"), a Revolving Credit Facility, a finished vehicle financing facility, a loan to finance the construction of the paint shop at St. Athan, back-to-back loans and forward currency contracts. Additionally, the Group has trade payables and trade receivables which arise directly from its operations. Included in trade and other payables is a liability relating to an inventory repurchase arrangement. These short-term assets and liabilities are included in the currency risk disclosure. The main risks arising from the Group's financial instruments are credit risk, interest rate risk, currency risk and liquidity risk. The Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and monitor adherence to limits. The Board of Directors oversee how management monitor compliance with the Group risk management policies and procedures and reviews the adequacy of the risk management framework in relation to specific risks faced by the Group.

#### CREDIT RISK

The Group sells vehicles through a global dealer network. Dealers outside of North America are required to pay for vehicles in advance of their despatch or use the wholesale financing scheme (see note 18). Dealers within North America are allowed 10-day credit terms from the date of invoice or use of the wholesale financing scheme. In certain circumstances, after thorough consideration of the credit history of an individual dealer, the Group may sell vehicles outside of the credit risk insurance policy or on deferred payment terms. Parts sales, which represent a smaller element of total revenue, are made to dealers on 30-day credit terms. Servicing receivables are due for payment on collection of the vehicle.

Trade and other receivables are only written off when the Group has exhausted all options to recover the amounts due and provided for in full when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of the debtor to engage in a repayment plan with the Group and a failure to make contractual payments. An expected credit loss provision is then calculated on the remaining trade and other receivables.

In generating the expected credit loss provision, historical credit loss rates for the preceding 5 years are calculated, including consideration given to future factors that may affect the ability of customers to settle receivables including the impact of COVID-19, and applied to the trade and other receivable aging buckets at the year-end. The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group has no material contract assets.

In presenting the loss allowance summary below, the specific loss allowance and original receivables balance of £19.0m disclosed in note 5 has been excluded so as to not distort the expected loss rate. The trade receivable loss allowance as at 31 December is as follows:

	As at 31 December 2020			As at 31 December 2019		
	Expected Loss Rate %	Gross Carrying Amount £m	Loss Allowance £m	Expected Loss Rate %	Gross Carrying Amount £m	Loss Allowance £m
Current	*	91.8	–	*	117.8	–
1 – 30 days past due	*	5.2	–	*	30.2	–
31 – 60 days past due	*	0.3	–	*	10.6	–
61+ days past due	33.8%	8.0	2.7	6.8%	17.7	1.2
		<b>105.3</b>	<b>2.7</b>		176.3	1.2

\* The expected loss rates for these specific ageing categories are not disclosed as no material loss allowance is generated when applied against the gross carrying value.

The closing loss allowance for trade receivables, including the specific loss allowance disclosed in note 5 of £19.0m, reconciles to the opening loss allowance as follows:

	2020 £m	2019 £m
<b>Opening loss allowance as at 1 January</b>	<b>20.2</b>	0.2
Increase in loss allowance recognised in the Income Statement – Other expense (note 5)	–	19.0
Increase in loss allowance recognised in the Income Statement – Administrative and other operating expenses	1.5	1.0
Receivables written-off during the year as uncollectible	–	–
<b>At 31 December</b>	<b>21.7</b>	20.2

**23 FINANCIAL INSTRUMENTS (CONTINUED)****BORROWINGS**

The following table analyses Group borrowings:

	2020 £m	2019 £m
<b>Current</b>		
Bank loans and overdrafts	113.5	114.8
<b>Non-current</b>		
Senior Secured Notes	965.0	829.9
Bank loans	6.3	9.2
<b>Total non-current borrowings</b>	<b>971.3</b>	839.1
<b>Total borrowings</b>	<b>1,084.8</b>	953.9

Total borrowings are denominated in the following currencies, in sterling at the year-end exchange rates:

	2020 £m	2019 £m
Sterling	119.8	403.0
US Dollar	965.0	550.9
<b>Total borrowings</b>	<b>1,084.8</b>	953.9

**Current Borrowings**

The Group has a Revolving Credit Facility ("RCF") attached to the new SSNs (see Non-Current Borrowings below) and it also had a RCF attached to the previous SSNs. Transaction costs of £2.4m for the year ended 31 December 2020 relating to the new RCF were capitalised and are amortised using the effective interest rate. The amounts included in current borrowings relating to the RCF at 31 December 2020 are £76.2m (2019 £70.0m). At 31 December 2020 £78.6m of the £90.6m RCF was drawn as cash (2019: £70.0m of an £80.0m facility).

The Group holds a series of one-year back-to-back loan arrangements with HSBC Bank plc, whereby Chinese Renminbi to a value at the time of £34.4m (2019: £36.7m) have been deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued at 31 December 2020 to £35.8m (2019: £36.3m) and is shown in cash and cash equivalents. The facility of £34.4m (2019: £36.7m) is shown within Borrowings in Current Liabilities on the Statement of Financial Position.

In 2018 the Group entered into a fixed rate loan to finance the construction of the paint shop at the new St. Athan manufacturing facility which matures on 31 March 2022. The loan is secured against the paint shop assets, with the final payment on 31 March 2022 including a capital payment of £6.3m accounted for as part of the effective interest rate over the term of the loan. At 31 December 2020 the amount included in current borrowings was £2.9m (2019: £2.9m).

The Group has separate arrangements to finance in-transit finished vehicles and certain finished vehicle inventory. Total borrowings on these facilities at 31 December 2020 were £nil (2019: £4.4m) and £nil (2019: £0.8m) respectively.

**Non-Current Borrowings held at 31 December 2020**

In December 2020 the Group refinanced all SSNs in issue with new SSNs. All SSNs are secured by fixed and floating charges over certain assets of the Group. At 31 December 2020 the Group holds £965.0m (2019: £829.9m) of SSNs comprising First and Second Lien SSNs of \$1,085.5m at 10.5% cash interest and \$335m at 8.89% cash interest and 6.11% Payment in Kind ("PIK") interest respectively. The Second Lien Notes were issued at a 2% discount and include detachable share warrants (see below). The First Lien Notes are repayable in November 2025 and the Second Lien Notes in November 2026. Transaction costs and discounts on issuance are amortised using the effective interest rate.

Transaction costs capitalised on the First and Second Lien SSNs amounted to £37.3m (2019: £5.4m). The acceleration of the unamortised fees, discounts on issuance, and redemption premiums were charged to the Income Statement at the point of redemption. These items have been included in adjusting items (see note 6).

The non-current element of the fixed rate loan to finance the construction of the paint shop at the new St. Athan manufacturing facility was £6.3m at 31 December 2020 (2019: £9.2m).

**Derivative option over own shares**

The Second Lien SSNs include detachable warrants enabling the warrant holders to subscribe for a number of Ordinary Shares in the Company at the subscription price of £10 per share. The warrant holders have the right to exchange their warrant options for a reduced number of warrant shares resulting in no cash being paid to receive the shares. The ratio at which this exchange can be transacted is determined by the share price at execution of the options. A derivative option liability has been recorded at 31 December 2020 due to the uncertain number of shares which will be issued under the agreement.

The warrants can be exercised from 1 July 2021 through to 7 December 2027. The issuance of debt with attached warrants required the Group to separately assess the fair value of the warrants and the debt. The fair value of the warrants was determined using a Binomial model used to predict the behaviour of the warrant holders and when they might exercise their holdings. The derivative option liability was initially recognised as a derivative forward at fair value with changes in the fair value being recognised in the Income Statement until issuance of the warrants on 7 December resulting in an initial valuation of £34.6m. Upon issuance of the \$335m SSNs, the carrying value of the debt was reduced by the same amount. The debt will be increased via an effective interest charge over the term of the SSNs. Upon issuance of the warrants, changes in the fair value of the derivative option from 7 December until 31 December 2020 were all recognised in the Income Statement. A total charge to the Income Statement of £45.3m has been recognised in the year and is presented in adjusting items (see note 6).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 23 FINANCIAL INSTRUMENTS (CONTINUED)

#### BORROWINGS (CONTINUED)

##### Non-Current Borrowings repaid during 2020

On 1 April 2019 the Group issued \$190m 6.5% SSNs at a discount of 5% to the par redemption value. The discount was charged to finance expense within the Consolidated Income Statement over the term of the notes based on the effective interest rate method.

In 8 October 2019 the Group issued \$150m 12% (6% PIK, 6% cash interest) SSNs with a 6% premium on redemption. This premium was accounted for as part of the effective interest rate and charged to finance expense within the Consolidated Income Statement over the term of these notes.

The Group held the option for an additional \$100m of Delayed Draw Notes linked to the \$150m SSNs issued on 8 October 2019. \$68m 12% (6% PIK, 6% cash interest) of Delayed Draw Notes with a 6% redemption premium were drawn in July 2020. This premium was accounted for as part of the effective interest rate and was charged to finance expense within the Consolidated Income Statement over the term of these notes.

In addition, the Group held \$400m 6.5% Senior Secured Notes and £285m 5.75% Senior Secured Notes both of which were due to mature in April 2022.

In July 2020 the Group received a £20.0m Coronavirus Large Business Interruption Loan Scheme loan. The loan was due for repayment in January 2022 and was at an interest rate of LIBOR plus a margin of 2.36%. As part of the refinancing of the SSNs this loan was repaid in December 2020.

These borrowings were repaid in the year which gave rise to a £21.4m premium on redemption. It was considered that the debts were extinguished at the point of settlement. Professional fees capitalised against the existing SSNs of £7.6m were written off to the Income Statement upon redemption. Both of these costs are included in adjusting items (see note 6).

#### INTEREST RATE RISK

The only interest rate risk that the Group is exposed to is on the back-to-back loan arrangement with HSBC Bank plc, whereby Chinese Renminbi have been deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The interest rate charged on the overdraft facility is based on the Bank of England Base Rate.

##### Profile

At 31 December the interest rate profile of the Group's interest-bearing financial instruments was:

	2020 £m	2019 £m
<b>Fixed rate instruments</b>		
Financial liabilities	<b>1,050.4</b>	917.2
<b>Variable rate instruments</b>		
Financial liabilities	<b>34.4</b>	36.7

Borrowings, including the new SSNs drawn in December 2020, the previous SSNs repaid in December 2020 and the loan to finance the paint shop in St Athan, are at fixed interest rates. The rate of interest on the RCF, which is attached to the SSNs, is based on LIBOR plus a percentage spread and is predetermined at the date of the drawdown of the RCF so is considered to be fixed rate for the analysis above.

The interest rate charged on both the in-transit and certain finished vehicle facilities are based on the lender's cost of funds at the point of the borrowing.

In 2019 and 2020 the Group entered into an inventory repurchase arrangement (not included within the financial liabilities noted above). The interest charged on this arrangement is determined as the difference between the sales and repurchase value and is therefore fixed at the time of entering into the arrangement. The repayment terms of this arrangement are not in excess of 270 days.

Surplus cash funds, when appropriate, are placed on deposit and attract interest at a variable rate derived from LIBOR.

#### INTEREST RATE RISKS – SENSITIVITY

The following table demonstrates the sensitivity, with all other variables held constant, of the Group's profit after tax to a reasonably possible change in interest rates on the back-to-back loan arrangement with HSBC Bank plc.

	2020 £m	2019 £m
	(Increase)/ decrease in interest rate	Effect on profit after tax
Bank of England base rate	1.00%	0.3

#### FOREIGN CURRENCY EXPOSURE

The Group's exposure to the risk of changes in foreign currency exchange relates primarily to US Dollar sales (including inter-group sales), Chinese Renminbi sales and Euro denominated purchases.

At 31 December 2020 the Group hedged 70% and 31% for 2021 and 2022 respectively (2019: 80%, 68% and 34% for 2020, 2021 and 2022 respectively), of its US dollar denominated highly probable inter-company sales, and 10% and 2% of its Euro denominated purchases for 2021 and 2022 (2019: 38%, 12% and 2% of its Euro denominated purchases for 2020, 2021 and 2022). These foreign currency risks are hedged by using foreign currency forward contracts and the \$400m SSNs repaid in December 2020.

**23 FINANCIAL INSTRUMENTS (CONTINUED)****FOREIGN CURRENCY EXPOSURE (CONTINUED)**

The Group's sterling equivalents of financial assets and liabilities (excluding borrowings analysed by currency above) denominated in foreign currencies at 31 December were:

<b>At 31 December 2020</b>	<b>Euros £m</b>	<b>US Dollars £m</b>	<b>Chinese Renminbi £m</b>	<b>Other £m</b>	<b>Total £m</b>
<b>Financial assets</b>					
Trade and other receivables	<b>9.8</b>	<b>34.2</b>	<b>1.7</b>	<b>28.3</b>	<b>74.0</b>
Foreign currency contracts	–	<b>0.6</b>	–	<b>0.2</b>	<b>0.8</b>
Cash held not available for short-term use	–	–	<b>9.9</b>	–	<b>9.9</b>
Cash balances	<b>7.4</b>	<b>46.5</b>	<b>58.2</b>	<b>12.3</b>	<b>124.4</b>
	<b>17.2</b>	<b>81.3</b>	<b>69.8</b>	<b>40.8</b>	<b>209.1</b>
<b>Financial liabilities</b>					
Trade and other payables	(10.2)	(29.5)	(11.6)	(1.3)	(52.6)
Lease liabilities	(0.1)	(0.1)	(0.2)	(7.2)	(7.6)
Customer deposits and advances	(14.5)	(13.5)	(6.4)	(6.0)	(40.4)
Foreign currency contracts	–	(0.3)	–	(0.2)	(0.5)
	<b>(24.8)</b>	<b>(43.4)</b>	<b>(18.2)</b>	<b>(14.7)</b>	<b>(101.1)</b>
<b>Net balance sheet exposure</b>	<b>(7.6)</b>	<b>37.9</b>	<b>51.6</b>	<b>26.1</b>	<b>108.0</b>

<b>At 31 December 2019</b>	<b>Euros £m</b>	<b>US Dollars £m</b>	<b>Chinese Renminbi £m</b>	<b>Other £m</b>	<b>Total £m</b>
<b>Financial assets</b>					
Trade and other receivables	20.5	75.1	18.4	1.8	115.8
Foreign exchange contracts	–	–	–	0.4	0.4
Cash held not available for short-term use	–	–	8.7	–	8.7
Cash balances	12.1	29.6	46.5	5.4	93.6
	<b>32.6</b>	<b>104.7</b>	<b>73.6</b>	<b>7.6</b>	<b>218.5</b>
<b>Financial liabilities</b>					
Trade and other payables <i>restated</i>	(116.5)	(74.2)	(11.4)	(6.4)	(208.5)
Lease liabilities	(2.2)	(0.2)	(0.5)	(8.1)	(11.0)
Customer deposits and advances	(0.2)	(15.8)	(7.9)	–	(23.9)
Foreign exchange contracts	–	(8.6)	–	(0.3)	(8.9)
	<b>(118.9)</b>	<b>(98.8)</b>	<b>(19.8)</b>	<b>(14.8)</b>	<b>(252.3)</b>
<b>Net balance sheet exposure</b>	<b>(86.3)</b>	<b>5.9</b>	<b>53.8</b>	<b>(7.2)</b>	<b>(33.8)</b>

The following significant exchange rates applied:

	<b>Average Rate 2020</b>	<b>Average Rate 2019</b>	<b>Closing Rate 2020</b>	<b>Closing Rate 2019</b>
Euro	<b>1.13</b>	1.13	<b>1.12</b>	1.18
Chinese Renminbi	<b>8.92</b>	8.74	<b>8.93</b>	9.23
US Dollar	<b>1.28</b>	1.27	<b>1.37</b>	1.33

**CURRENCY RISK – SENSITIVITY**

The following table demonstrates the sensitivity to a change in the US Dollar, Euro and Chinese Renminbi exchange rates with all other variables held constant, of the Group's profit after tax (due to changes in the fair value of monetary assets and liabilities) assuming that none of the US Dollar or Euro exposures are used as hedging instruments.

	<b>(Increase)/ decrease in rate</b>	<b>Effect on profit after tax 2020 £m</b>	<b>Effect on profit after tax 2019 £m</b>
US Dollar	(5%)	<b>(4.6)</b>	(7.7)
US Dollar	5%	<b>5.0</b>	8.6
Euro	(5%)	<b>7.7</b>	12.3
Euro	5%	<b>(8.5)</b>	(13.6)
Chinese Renminbi	(5%)	<b>(1.9)</b>	(2.3)
Chinese Renminbi	5%	<b>2.1</b>	2.5

## 23 FINANCIAL INSTRUMENTS (CONTINUED)

### CURRENCY RISK – SENSITIVITY (CONTINUED)

#### \$1,085.5m and \$335m Senior Secured Notes

In December 2020 the Group repaid its existing SSNs and took out new First Lien and Second Lien SSNs at \$1085.5m and \$335m respectively. At 31 December 2020 the Group had not hedged the new SSNs. Foreign currency gains/(losses) on these SSNs, due to exchange rate movements between the US Dollar and Sterling, are charged to the Consolidated Income Statement within finance income/(expense). A corresponding change in the translated sterling value of these SSNs is reflected in the Consolidated Statement of Financial Position.

#### \$400m Senior Secured Notes

The Group had designated \$400m of SSNs as a hedging instrument in respect of \$400m of highly probable forecast US Dollar sales that are not already hedged with forward contracts. These SSNs were repaid in December 2020 and hedge accounting was discontinued from the date of repayment. As the forecast transactions are still expected to occur the amount accumulated in the cash flow hedge reserve at the repayment date will be released to the Income Statement in line with the profile of the future US Dollar sales to which it relates.

### HEDGE ACCOUNTING

The Group is primarily exposed to US Dollar currency variations on the sale of vehicles and parts, and Euro currency variations on the purchase of raw material parts and services. As part of its risk management policy, the Group uses derivative financial instruments in the form of currency forward contracts to manage the cash flow risk resulting from these exchange rate movements. The Group had designated the foreign exchange movement on the \$400m SSNs as part of a cash flow hedging relationship, to manage the exchange rate risk resulting from forecast US dollar inter-company sales. Together these are referred to as cash flow hedges. The cash flow hedges give certainty over the transactional values to be recognised in the Consolidated Income Statement, and in the case of the forward contracts, certainty around the value of cash flows arising as foreign currencies are exchanged at predetermined rates.

The Group hedges significant foreign currency exposures as follows:

- Firstly, with currency forward contracts on a reducing basis with the highest coverage in the year immediately following the year-end date. When practicable, the Group places additional hedges on a regular basis so that the percentage of the foreign currency exposure hedged increases as the time to maturity of the foreign currency exposure reduces.
- Secondly, the Group has designated \$400m of SSNs as a hedging instrument in respect of \$400m of highly probable forecast US Dollar sales that are not already hedged with forward contracts. These SSNs were repaid in December 2020.

The Group currently has no active currency forward contract cash flow hedges beyond 2022. The Group does not mitigate all transactional foreign currency exposures, with the unhedged proportion converted at exchange rates prevailing on the date of the transaction.

### Derivative financial instruments

Derivative financial instruments are recorded at fair value. The hedging instruments of the cash flow hedge relationship have been designated as the spot element of forward foreign exchange contract, and the forward points are excluded from the hedge relationship. The hedged items have been designated as highly probable forecast net sales or purchases denominated in foreign currencies.

Where the value of the hedging instrument matches the value of the hedged item in a 1:1 hedge ratio, the hedge is effective, and changes in the fair value of the hedging instrument attributable to the spot risk are considered an effective hedge and recognised in the cash flow hedge reserve within Other Comprehensive Income. Changes in fair value attributable to forward points are recognised in the cost of hedging reserve within Other Comprehensive Income.

Where the value of hedging instrument is greater than the value of the hedged item, the excess portion is recognised as the ineffective portion of the gain or loss on the hedging instrument and is recorded immediately in the Income Statement.

When the expected volume of hedged highly probable forecast transactions is lower than the designated volume, and a portion of the hedged item is no longer highly probable to occur, hedge accounting is discontinued for that portion. If the hedged future cash flows are still expected to occur, then the accumulated amount in cash flow hedge reserve relating to the discontinued portion remains in the cash flow hedge reserve until the future cash flows occur. If the hedged future cash flows are no longer expected to occur, then that amount is immediately reclassified from the cash flow hedge reserve to the Income Statement as a reclassification adjustment.

Certain forward foreign exchange contracts were designated as hedges with effect from 1 July 2019. Prior to this, all movements in the fair value had been recorded within finance expense as an adjusting item (see note 9) reflecting the non-recurring nature of the absence of a designated hedge relationship for such instruments. Subsequent to 1 July 2019, in respect of these forward foreign exchange contracts only, the movement in fair value attributable to forward points is recorded within cost of sales in the Consolidated Income Statement.

#### \$400m Senior Secured Notes

The \$400m SSNs were repaid in December 2020. Prior to repayment they were recorded at amortised cost and translated into sterling at the year-end or repayment date closing rates with movements in the carrying value due to foreign exchange movements offset by movements in the value of the highly probable forecast sales from US Dollars to Sterling. When the hedge ratio is 1:1 the value of the hedging instrument matches the value of the hedged item. In this case, the change in the carrying value of these SSNs, arising as a result of exchange differences, is recognised through Other Comprehensive Income into the Hedge Reserve instead of within finance income/(expense).

When the value of the hedging instrument is greater than the value of the hedged item the excess portion is recognised as ineffective and is recorded immediately to finance expense in the Income Statement.

The amounts recorded within the Hedge Reserve, including the Cost of Hedging Reserve, are reclassified to the Consolidated Income Statement when the hedged item affects the Consolidated Income Statement. Due to the nature of the hedged items, all amounts reclassified to the Income Statement are recorded in cost of sales (2019: all cost of sales), except for ineffective amounts relating to the \$400m SSNs which have been recorded as finance expense in the Income Statement.

## 23 FINANCIAL INSTRUMENTS (CONTINUED)

## HEDGE ACCOUNTING (CONTINUED)

## Main sources of hedge ineffectiveness

Other than previously described, in relation only to forward contracts designated as a hedge, the main sources of potential hedge ineffectiveness relate to potential differences in the nominal value of hedged items and the hedging instrument should they occur.

The impact of hedging instruments on the Statement of Financial Position is as follows:

	31 December 2020			31 December 2019		
	Notional value £m	Carrying value £m	Change in fair value used for measuring ineffectiveness £m	Notional value £m	Carrying value £m	Change in fair value used for measuring ineffectiveness £m
Foreign exchange forward contracts – other financial assets	56.8	0.8	1.3	34.9	0.4	0.4
Foreign exchange forward contracts – other financial liabilities	28.2	(0.5)	1.4	220.0	(8.9)	(10.3)
\$400m Senior Secured Notes – hedge instrument	299.6	–	2.0	301.6	301.6	12.6

The impact of hedged items on the Statement of Financial Position is as follows:

	31 December 2020		31 December 2019	
	Cash flow Hedge Reserve £m	Cost of Hedging Reserve £m	Cash flow Hedge Reserve £m	Cost of Hedging Reserve £m
Foreign exchange forward contracts	4.7	(1.6)	0.1	(2.0)
\$400m Senior Secured Notes – hedge instrument	10.5	–	(0.8)	–
Tax on fair value movements recognised in OCI	(3.0)	0.3	0.1	0.3

The effect of the cash flow hedge in the Consolidated Income Statement and Other Comprehensive Income is:

Year-ended 31 December 2020	Total hedging gain/(loss) recognised in OCI £m	Ineffectiveness recognised in the Income Statement £m	Income Statement line item	Fair value movement on cash flow hedges £m	Amount reclassified from OCI to the Income Statement £m	Income Statement line item
Foreign exchange forward contracts	5.0	2.3	Cost of Sales	4.6	0.4	Cost of Sales
\$400m Senior Secured Notes – hedge instrument	4.5	2.5	Finance Expense	2.0	2.5	Cost of Sales
\$400m Senior Secured Notes – hedge instrument	6.8	–	Cost of Sales	–	6.8	Cost of Sales
Tax on fair value movements recognised in OCI	(3.1)	–	–	(1.3)	(1.8)	Cost of Sales

Hedge ineffectiveness recognised in 2020 within the Consolidated Income Statement relates to differences in the nominal value of the hedged items and the hedging instrument. At 31 December 2020 there are no balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer required.

Year-ended 31 December 2019	Total hedging gain/(loss) recognised in OCI £m	Ineffectiveness recognised in the Income Statement £m	Income Statement line item	Fair value movement on cash flow hedges £m	Amount reclassified from OCI to the Income Statement £m	Income Statement line item
Foreign exchange forward contracts	1.4	6.6	Finance Expense	–	1.4	Cost of Sales
Foreign exchange forward contracts	5.5	4.9	Cost of Sales	(3.7)	9.2	Cost of Sales
\$400m Senior Secured Notes – hedge instrument	17.7	–	–	12.7	5.0	Cost of Sales
Tax on fair value movements recognised in OCI	(3.4)	–	–	(1.6)	(1.8)	Cost of Sales

At 31 December 2019 there are no balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer required.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 23 FINANCIAL INSTRUMENTS (CONTINUED)

#### LIQUIDITY RISK

The Group seeks to manage liquidity risk to ensure sufficient liquidity is available to meet foreseeable needs and, when appropriate, allow placement of cash on deposit safely and profitably.

The Group has a number of one-year back-to-back loan arrangements with HSBC Bank plc, whereby Chinese Renminbi were deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued to £35.8m at 31 December 2020 (2019: £36.3m) and is shown in the total of cash and cash equivalents. The overdraft of £34.4m (2019: £36.7m) is shown in Borrowings in Current Liabilities on the Statement of Financial Position. At 31 December 2020 the Group had cash and cash equivalents of £489.4m (2019: £107.9m).

At 31 December 2020 the Group holds £965.0m (2019: £829.9m) of SSNs. In December 2020 the Group repaid all SSNs issued at that date and took out new First and Second Lien SSNs of \$1085.5m at 10.5% cash interest and \$335m at 8.89% cash interest and 6.11% PIK interest respectively. The Second Lien Notes were issued at a 2% discount and have share warrants attached to them (see the borrowings section of note 23). The First Lien Notes are repayable in November 2025 and the Second Lien Notes in November 2026. Transaction costs and discounts on issue are amortised using the effective interest rate. The US Dollar amounts have been converted to Sterling equivalents for reporting purposes. Attached to the new SSNs is a £90.6m RCF of which £78.6m was drawn in cash at 31 December 2020. The amount recorded in the Statement of Financial Position net of unamortised transaction costs of £2.4m is £76.2m. The remaining ancillary facility has been utilised through the issuance of letters of credit and guarantees. The previous SSNs had an £80.0m RCF attached to them of which £70.0m was drawn at 31 December 2019. The RCF attached to the new SSNs is available until August 2025.

As part of the normal operating cycle of the Group, customers make advanced payments to secure their allocation of special vehicles produced in limited numbers. The cash from these advance payments is primarily used to fund upfront costs of the special vehicle project including raw materials and components required in manufacture. In certain circumstances, according to the individual terms of the special vehicle contract and the position of the customer in the staged deposit and vehicle specification process, the advanced payments are contractually refundable. At 31 December 2020 the Group held refundable deposits of £43.1m (2019: £78.5m). The special vehicle programs are typically oversubscribed and, in the event that a customer requests reimbursement of their advanced payment, the newly created allocation is then given to an alternative customer who is required to make an equivalent advanced payment.

The maturity profile of the Group's financial liabilities at 31 December 2020 based on contractual undiscounted payments is as follows.

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	>5 years £m	Contractual Cash Flows Total £m
<b><i>Non-derivative financial liabilities</i></b>						
Bank loans and overdrafts	–	15.8	101.9	6.4	–	124.1
Senior Secured Notes	–	–	109.3	1,267.9	436.6	1,813.8
Trade and other payables	–	245.5	65.6	7.5	–	318.6
Refundable customer deposits and advances	43.1	–	–	–	–	43.1
<b><i>Derivative financial liabilities</i></b>						
Forward exchange contracts	–	–	0.5	–	–	0.5
	<b>43.1</b>	<b>261.3</b>	<b>277.3</b>	<b>1,281.8</b>	<b>436.6</b>	<b>2,300.1</b>

Included in the table above are interest bearing loans and borrowings at a carrying value of £1,084.8m. The liquidity profile associated with leases accounted under IFRS 16 is detailed in note 16.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2019 based on contractual undiscounted payments.

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	>5 years £m	Contractual Cash Flows Total £m
<b><i>Non-derivative financial liabilities</i></b>						
Bank loans and overdrafts	–	94.6	24.4	6.7	–	125.7
Senior Secured Notes	–	1.8	45.4	937.1	–	984.3
Trade and other payables restated	–	365.0	57.3	9.6	–	431.9
Refundable customer deposits and advances	78.5	–	–	–	–	78.5
<b><i>Derivative financial liabilities</i></b>						
Forward exchange contracts	–	0.9	5.4	2.6	–	8.9
	<b>78.5</b>	<b>462.3</b>	<b>132.5</b>	<b>956.0</b>	<b>–</b>	<b>1,629.3</b>

Included in the table above are interest bearing loans and borrowings at a carrying value of £953.9m.

## 23 FINANCIAL INSTRUMENTS (CONTINUED)

## ESTIMATION OF FAIR VALUES

	As at 31 December 2020			As at 31 December 2019		
	Nominal value £m	Book value £m	Fair value £m	Nominal value £m	Book value £m	Fair value £m
<b>Included in assets</b>						
<i>Level 2</i>						
Forward foreign exchange contracts	–	0.8	0.8	–	0.4	0.4
<i>Level 3</i>						
Other derivative contracts	–	4.0	4.0	–	–	–
	–	4.8	4.8	–	0.4	0.4
<b>Included in liabilities</b>						
<i>Level 1</i>						
£285m 5.75% Sterling Senior secured Notes	–	–	–	285.0	279.0	273.6
\$400m 6.5% US Dollar Senior secured Notes	–	–	–	301.6	301.6	288.0
\$190m 6.5% US Dollar Senior secured Notes	–	–	–	143.3	137.2	133.8
\$150m 12.0% US Dollar Senior secured Notes	–	–	–	113.1	112.1	122.1
\$1,085.5m 10.5% US Dollar 1 <sup>st</sup> Lien Notes	793.8	763.2	861.2	–	–	–
\$335m 15.0% US Dollar 2 <sup>nd</sup> Lien Split Coupon Notes	245.0	201.8	248.9	–	–	–
<i>Level 2</i>						
Forward exchange contracts	–	0.5	0.5	–	8.9	8.9
Derivative option over own shares	63.3	79.9	79.9	–	–	–
	1,102.1	1,045.4	1,190.5	843.0	838.8	826.4

Under IFRS 7, such assets and liabilities are classified by the way in which their fair value is calculated. The interest-bearing loans and borrowings are considered to be level 1 liabilities with forward exchange contracts being level 2 assets and liabilities. Warrant equity options are considered to be level 2 assets and liabilities.

IFRS 7 defines each level as follows:

- level 1 assets and liabilities have inputs observable through quoted prices;
- level 2 assets and liabilities have inputs observable, other than quoted prices, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or
- level 3 assets and liabilities as those with inputs not based on observable market data.

Trade and other receivables, and trade and other payables are deemed to have the same fair value as their book value and, as such, the table presented only includes assets held at fair value and borrowings. The forward currency contracts are carried at fair value based on pricing models and discounted cash flow techniques derived from assumptions provided by third party banks. The SSNs are all valued at amortised cost retranslated as the year end foreign exchange rate. The fair value of these SSNs at the current and comparative period ends are determined by reference to the quoted price on The International Stock Exchange Authority in St. Peter Port, Guernsey. The fair value and nominal value exclude the impact of transaction costs.

The other derivative contracts relate to options to purchase a minority shareholding in AMR GP Limited (see note 20).

The derivative option over own shares reflects the detachable warrants issued alongside the second lien SSNs (see borrowings section of note 23) enabling the warrant holders to subscribe for a number of Ordinary Shares in the Company. The fair value is calculated using a binomial model and updated at each period end reflecting the latest market conditions. The inputs used in the valuation model include the quoted share price, market volatility, exercise ratio, and risk free rate.

For all other receivables and payables, the carrying amount is deemed to reflect the fair value.

## CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain the future development of the business. Given this, the objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The capital structure of the Group consists of debt which includes the borrowings disclosed in this note, cash and cash equivalents and equity attributable to equity holders of the parent, comprising share capital and reserves as disclosed in the Consolidated Statements of Changes in Equity.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 24 NET DEBT

The Group defines Net Debt as current and non-current borrowings in addition to inventory repurchase arrangements and lease liabilities, less cash and cash equivalents including cash held not available for short-term use. The comparative Net Debt at 31 December 2019 has been re-presented to align with the updated definition of Net Debt to include current and non-current lease liabilities following the Group's adoption of IFRS 16 on 1 January 2019. There is no impact on the Group's Consolidated Income Statement, earnings per share, retained earnings or net assets. Net Debt is a non-IFRS alternative performance measure used for evaluating the performance of the Group and for further details see note 34.

	2020 £m	2019 £m
Cash and cash equivalents	<b>489.4</b>	107.9
Cash held not available for short-term use	<b>9.9</b>	8.7
Inventory repurchase arrangement	<b>(38.2)</b>	(38.9)
Lease liabilities – current	<b>(9.3)</b>	(14.1)
Lease liabilities – non-current	<b>(93.7)</b>	(97.3)
Loans and other borrowings – current	<b>(113.5)</b>	(114.8)
Loans and other borrowings – non-current	<b>(971.3)</b>	(839.1)
<b>Net debt</b>	<b>(726.7)</b>	(987.6)
<b>Movement in net debt</b>		
Net increase/(decrease) in cash and cash equivalents	<b>381.5</b>	(36.7)
Add back cash flows in respect of other components of net debt:		
New borrowings	<b>(1,252.7)</b>	(260.8)
Proceeds from inventory repurchase arrangement	<b>(76.8)</b>	(38.7)
Proceeds from existing borrowings	<b>–</b>	(102.3)
Repayment of existing borrowings	<b>1,092.3</b>	91.5
Repayment of inventory repurchase arrangement	<b>80.0</b>	–
Lease liability payments	<b>12.2</b>	10.9
Movement in cash held not available for short-term use	<b>0.9</b>	8.7
Transaction fees	<b>41.9</b>	4.1
Decrease/(increase) in net debt arising from cash flows	<b>279.3</b>	(323.3)
Non-cash movements:		
Opening lease liability upon adoption of IFRS 16	<b>–</b>	(116.5)
Foreign exchange gain on secured loan	<b>30.8</b>	23.7
Interest added to debt	<b>(8.6)</b>	(1.6)
Premium on the early redemption of Senior Secured Notes	<b>(21.4)</b>	–
Borrowing fee amortisation	<b>(13.0)</b>	(5.5)
Lease liability interest charge	<b>(4.1)</b>	(4.6)
Lease modifications	<b>(1.7)</b>	3.5
New leases	<b>2.6</b>	(9.8)
Unpaid transaction fees	<b>0.8</b>	2.0
Foreign exchange gain and other movements	<b>(3.8)</b>	4.0
Decrease/(increase) in net debt	<b>260.9</b>	(428.1)
Net debt at beginning of the year	<b>(987.6)</b>	(559.5)
<b>Net debt at the end of the year</b>	<b>(726.7)</b>	(987.6)

## 25 PROVISIONS

		Restructuring	Warranty	2020 £m	2019 £m
			Total	Total	
At the beginning of the year		–	28.2	28.2	23.7
Charge for the year		12.1	33.0	45.1	27.9
Utilisation		(4.3)	(29.8)	(34.1)	(23.5)
Effect of movements in exchange rates		–	(0.3)	(0.3)	0.1
At the end of the year		7.8	31.1	38.9	28.2
 Analysed as:					
Current		7.8	14.3	22.1	12.0
Non-current		–	16.8	16.8	16.2
		7.8	31.1	38.9	28.2

In the year ended 31 December 2020, the Group launched a consultation process to reduce employee numbers reflecting lower than originally planned production volumes. The charge recognised reflects total estimated staff restructuring costs of £12.0m in addition to other directly attributable costs of £0.1m. The closing provision at 31 December 2020 is expected to be utilised during the first half of 2021.

The warranty provision is calculated based on the level of historic claims and is expected to be substantially utilised within the next three years. The 2019 comparative relates entirely to warranty provisions.

## 26 PENSION OBLIGATIONS

## DEFINED CONTRIBUTION SCHEME

The Group opened a defined contribution scheme in June 2011. The total expense relating to this scheme in the year ended 31 December 2020 was £10.2m (2019: £8.6m). Outstanding contributions at the year-end were £0.9m (2019: £0.6m). Contributions are made by the Group to other pension arrangements for certain employees of the Group.

## DEFINED BENEFIT SCHEME

The Group operates a defined benefit pension scheme. During 2017 it was agreed and communicated to its members that the scheme's benefits would be amended from a final pensionable salary basis to a career average revalued earnings (CARE) basis with effect from 1 January 2018. The scheme was closed to new entrants on 31 May 2011. The benefits of the existing members were not affected by the closure of the scheme. The assets of the scheme are held separately from those of the Group.

In constructing the investment strategy for the scheme, the Trustees take due account of the liability profile of the scheme along with the level of disclosed surplus or deficit. The investment strategy is reviewed on a regular basis and, at a minimum, on a triennial basis to coincide with actuarial valuations. The primary objectives are to provide security for all beneficiaries and to achieve long-term growth sufficient to finance any pension increases and ensure the residual cost is held at a reasonable level.

The pension scheme operates under the regulatory framework of the Pensions Act 2004. The Trustee has the primary responsibility for governance of the Scheme. Benefit payments are from Trustee-administered funds and scheme assets are held in a Trust which is governed by UK regulation. The Trustee is comprised of representatives of the Group and members of the scheme and an independent, professional Trustee has been appointed during the year.

The pension scheme exposes the Group to the following risks:

*Asset volatility* – the scheme's Statement of Investment Principles targets 60% return-enhancing assets and 40% risk-reducing assets.

The Trustee monitors the appropriateness of the scheme's investment strategy, in consultation with the Group, on an on-going basis.

*Inflation risk* – the majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation).

*Longevity* – increases in life expectancy will increase the period over which benefits are expected to be payable, which increases the value placed on the scheme's liabilities.

There have been no curtailment events in the years ended 31 December 2020 or 31 December 2019. The projected unit method has been used to determine the liabilities.

The pension cost is assessed in accordance with the advice of an independent qualified actuary. The latest actuarial valuation of the scheme had an effective date of 6 April 2020. The assumptions that make the most significant effect on the valuation are those relating to the rate of return on investments, the rate of increase in salaries and pensions and expected longevity. It was assumed that the pre-retirement investment return would be 3.4% per annum and the post retirement return 2.25% per annum and that salary increases would average 3.0% per annum for the period to 31 March 2021 and 3.55% thereafter.

At the 6 April 2020 actuarial valuation, the actuarial value of the scheme assets was £314.6m, sufficient to cover 76% of the benefits which had accrued to members. Following this latest actuarial valuation of the scheme, from 1 January 2022 onwards contributions will increase from 23.7% to 37.5% for the Group where the active member does not participate in the salary sacrifice scheme. For active members participating in the salary sacrifice scheme, employees make no contributions and from 1 January 2022 the Group contribution is increasing from 30.2% and 34.7% to 44.0% and 48.5% for members who opted for benefits of 1/80th's and 1/70th's of pensionable salary, respectively.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 26 PENSION OBLIGATIONS (CONTINUED)

The actuarial valuation on 6 April 2017 showed a deficit in the scheme of £48.6m. On 5 July 2018, the Group agreed to increase the recovery plan contributions from £2.8m per annum to £4.0m per annum through to 31 March 2020 and £7.1m thereafter through to 31 July 2025. The actuarial valuation on 6 April 2020 showed a deficit in the scheme of £97.0m. On 18 December 2020, the Group agreed to increase the recovery plan contributions from £7.1m per annum to £15.0m per annum effective from 1 January 2021 through to 30 June 2027. Estimated contributions for the year ending 31 December 2021 are £20.6m.

Full actuarial valuations were carried out as at 6 April 2017 and 6 April 2020. The 2017 valuation was updated by an independent qualified actuary to 31 December 2019 and the 2020 valuation similarly updated to 31 December 2020 for the relevant disclosures in accordance with IAS 19R. The next triennial valuation as at 6 April 2023 is due to be completed by June 2024 in line with the scheme specific funding requirements of the Pensions Act 2004. As part of that valuation the Trustee and the Group will review the adequacy of the contributions being paid into the Scheme.

#### ASSUMPTIONS

The principal assumptions used by the actuary were:

	31 December 2020	31 December 2019
Discount rate	<b>1.60%</b>	2.20%
Rate of increase in salaries	<b>2.70%</b>	2.90%
Rate of revaluation in deferment	<b>2.10%</b>	1.90%
Rate of increase in pensions in payment attracting LPI	<b>2.70%</b>	2.85%
Expected return on scheme assets	<b>1.60%</b>	2.20%
RPI Inflation assumption	<b>2.70%</b>	2.90%
CPI Inflation assumption	<b>2.10%</b>	1.90%

The Group's inflation assumption reflects its long-term expectations and has not been amended for short-term variability. The post mortality assumptions allow for expected increases in longevity. The 'current' disclosures below relate to assumptions based on the longevity (in years) following retirement at each reporting date, with 'future' being that relating to an employee retiring in 2040 (2020 assumptions) or 2039 (2019 assumptions).

#### Projected life expectancy from age 65

	Future	Current	Future	Current
	Currently aged 45	Currently aged 65	Currently aged 45	Currently aged 65
	2020	2020	2019	2019
Male	23.2	21.8	23.2	21.8
Female	25.7	24.2	25.5	23.9

	Years
Average duration of the liabilities in years as at 31 December 2020	25
Average duration of the liabilities in years as at 31 December 2019	25

The following table provides information on the composition and fair value of the assets of the Scheme:

Asset Class	31 December 2020 Quoted £m	31 December 2020 Unquoted £m	31 December 2020 Total £m	31 December 2019 Quoted £m	31 December 2019 Unquoted £m	31 December 2019 Total £m
	31 December 2020 Quoted £m	31 December 2020 Unquoted £m	31 December 2020 Total £m	31 December 2019 Quoted £m	31 December 2019 Unquoted £m	31 December 2019 Total £m
UK Equities	<b>36.8</b>	–	<b>36.8</b>	43.4	–	43.4
Overseas Equities	<b>46.0</b>	–	<b>46.0</b>	48.6	–	48.6
Property	–	–	–	–	28.5	28.5
Private debt	–	<b>30.8</b>	<b>30.8</b>	–	20.4	20.4
Liability driven investment	<b>74.3</b>	<b>34.2</b>	<b>108.5</b>	42.8	19.3	62.1
Absolute return bonds	–	<b>71.4</b>	<b>71.4</b>	–	73.9	73.9
Diversified alternatives	–	<b>1.6</b>	<b>1.6</b>	–	27.0	27.0
Cash	<b>52.8</b>	–	<b>52.8</b>	2.5	–	2.5
Insurance policies	–	<b>6.2</b>	<b>6.2</b>	–	5.4	5.4
<b>Total</b>	<b>209.9</b>	<b>144.2</b>	<b>354.1</b>	137.3	174.5	311.8

**26 PENSION OBLIGATIONS (CONTINUED)**

The scheme assets and funded obligations at 31 December are summarised below:

	2020 £m	2019 £m
Total fair value of scheme assets	354.1	311.8
Present value of funded obligations	(378.7)	(333.4)
Funded status at the end of the year	(24.6)	(21.6)
Adjustment to reflect minimum funding requirements	(67.9)	(15.2)
<b>Liability recognised in the Statement of Financial Position</b>	<b>(92.5)</b>	<b>(36.8)</b>

The adjustment to reflect minimum funding requirements represents the excess of the present value of contractual future recovery plan contributions, discounted using the assumed scheme discount rate, over the funding status established through the actuarial valuation.

Amounts recognised in the Consolidated Income Statement during the year ending 31 December were as follows:

	2020 £m	2019 £m
<b>Amounts charged to operating loss:</b>		
Current service cost	(8.6)	(6.9)
Past service cost	–	–
	<b>(8.6)</b>	<b>(6.9)</b>
<b>Amounts charged to finance expense:</b>		
Net interest expense on the net defined benefit liability	(0.3)	–
Interest expense on the adjustment to reflect minimum funding requirements	(0.4)	(1.1)
Total expense recognised in the Income Statement	<b>(9.3)</b>	<b>(8.0)</b>

Changes in present value of the defined benefit pensions obligations are analysed as follows:

	2020 £m	2019 £m
At the beginning of the year	(333.4)	(275.2)
Current service cost	(8.6)	(6.9)
Past service cost	–	–
Interest cost	(7.2)	(8.5)
Experience gains/(losses)	9.0	(0.1)
Actuarial losses arising from changes in financial assumptions	(54.7)	(52.3)
Distributions	15.6	9.9
Actuarial gains/(losses) arising from changes in demographic assumptions	0.6	(0.3)
Obligation at the end of the year	<b>(378.7)</b>	<b>(333.4)</b>

Changes in the fair value of plan assets are analysed below:

	2020 £m	2019 £m
At the beginning of the year	311.8	268.8
Interest on assets	6.9	8.5
Employer contributions	12.7	11.3
Return on scheme assets excluding interest income	38.3	33.1
Distributions	(15.6)	(9.9)
Fair value at the end of the year	<b>354.1</b>	<b>311.8</b>

	2020 £m	2019 £m
Actual return on scheme assets	<b>45.2</b>	<b>41.6</b>

Analysis of amounts recognised in the Statement of Financial Position:

	2020 £m	2019 £m
Liability at the beginning of the year	(36.8)	(38.7)
Net expense recognised in the Income Statement	(9.3)	(8.0)
Employer contributions	12.7	11.3
Loss recognised in Other Comprehensive Income	(59.1)	(1.4)
Liability recognised in the Statement of Financial Position at the end of the year	<b>(92.5)</b>	<b>(36.8)</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 26 PENSION OBLIGATIONS (CONTINUED)

Analysis of amount taken to Other Comprehensive Income:

	2020 £m	2019 £m
Return on scheme assets excluding interest income	38.3	33.1
Experience gains/(losses) arising on funded obligations	9.0	(0.1)
Losses arising due to changes in financial assumptions underlying the present value of funded obligations	(54.7)	(52.3)
(Losses)/gains arising as a result of adjustment made to reflect minimum funding requirements	(52.3)	18.2
Gains/(losses) arising due to changes in demographic assumptions	0.6	(0.3)
Amount recognised in Other Comprehensive Income	<b>(59.1)</b>	(1.4)

### SENSITIVITY ANALYSIS OF THE PRINCIPAL ASSUMPTIONS USED TO MEASURE SCHEME LIABILITIES

At 31 December 2020 the present value of the benefit obligation is £378.7m (2019: £333.4m) and its sensitivity to changes in key assumptions are:

	Change in assumption	Present value of benefit obligations at 31 December 2020 £m	Present value of benefit obligations at 31 December 2019 £m
		2020 £m	2019 £m
Discount rate	Decrease by 0.25%	403.6	355.1
Rate of inflation*	Increase by 0.25%	399.8	352.2
Life expectancy increased by approximately 1 year	Increase by one year	395.7	348.1

\* This sensitivity allows for the impact on all inflation related assumptions (salary increases, deferred revaluation and pension increases).

Funding levels are monitored on a regular basis by the Trustee and the Group to ensure the security of member's benefits. The next triennial valuation as at 6 April 2023 is due to be completed by June 2024 in line with the scheme specific funding requirements of the Pensions Act 2004. As part of that valuation the Trustee and the Group will review the adequacy of the contributions being paid into the Scheme.

	2020 £m	2019 £m
<b>Expected future benefit payments</b>		
Year 1 (2021 / 2020)	9.7	2.6
Year 2 (2022 / 2021)	10.0	3.0
Year 3 (2023 / 2022)	10.2	3.6
Year 4 (2024 / 2023)	10.5	4.6
Year 5 (2025 / 2024)	10.8	4.9
Years 6 to 10 (2026 to 2030)	57.8	38.8

### HISTORY OF SCHEME EXPERIENCE

	2020	2019
Present value of the scheme liabilities (£m)	(378.7)	(333.4)
Fair value of the scheme assets (£m)	354.1	311.8
Deficit in the scheme before adjusting to reflect minimum funding requirements	(24.6)	(21.6)
Experience gains on scheme assets excluding interest income (£m)	38.3	33.1
Percentage of scheme assets	10.8%	10.6%
Experience gains/(losses) on scheme liabilities (£m)	9.0	(0.1)
Percentage of the present value of the scheme liabilities	2.4%	0.0%
Total amount recognised in Other Comprehensive Income (£m)	(59.1)	(1.4)
Percentage of the present value of the scheme liabilities	(15.6%)	(0.4%)

## 27 SHARE CAPITAL AND OTHER RESERVES

	Number of shares	Nominal Value £	Share Capital £m	Share Premium £m	Merger Reserve £m	Capital Redemption Reserve £m
Allotted, called up and fully paid						
<b>Opening balance at 1 January 2020</b>	<b>228,002,890</b>	<b>0.009039687</b>	<b>2.1</b>	<b>352.3</b>	<b>–</b>	<b>–</b>
Private placing <sup>1</sup>	76,000,000	0.009039687	0.7	170.3	–	–
Rights issue <sup>2</sup>	1,216,011,560	0.009039687	11.0	353.7	–	–
Non-pre-emptive placing and retail offer <sup>3</sup>	304,000,000	0.009039687	2.7	–	149.4	–
Placing Shares <sup>4</sup>	250,000,000	0.009039687	2.3	122.7	–	–
Tranche 1 Consideration Shares <sup>5</sup>	224,657,287	0.009039687	2.0	140.3	–	–
Issue of new shares <sup>6</sup>	3	0.009039687	–	–	–	–
Transaction costs arising on the issuance of ordinary shares	–	–	–	(31.1)	(5.4)	–
	<b>2,298,671,740</b>	<b>0.009039687</b>	<b>20.8</b>	<b>1,108.2</b>	<b>144.0</b>	<b>–</b>
Share split – original shares <sup>7</sup>	2,298,671,740	0.005000000	11.5	–	–	–
Share split – deferred shares <sup>7</sup>	2,298,671,740	0.004039687	9.3	–	–	–
Cancellation of deferred shares <sup>7</sup>	(2,298,671,740)	(0.004039687)	(9.3)	–	–	9.3
	<b>2,298,671,740</b>	<b>0.00500000</b>	<b>11.5</b>	<b>1,108.2</b>	<b>144.0</b>	<b>9.3</b>
Consolidation of shares <sup>7</sup>	(2,183,738,153)	–	–	–	–	–
<b>Closing balance at 31 December 2020</b>	<b>114,933,587</b>	<b>0.10000000</b>	<b>11.5</b>	<b>1,108.2</b>	<b>144.0</b>	<b>9.3</b>

1. On 31 March 2020 the Company issued 76.0m ordinary shares by way of a private placing. The shares were issued at 225p raising gross proceeds of £171.0m, with £0.7m recognised as share capital and the remaining £170.3m recognised as share premium.
2. On 1 April 2020 the Company issued 1,216.0m ordinary shares by way of a rights issue. The shares were issued at 30p raising gross proceeds of £364.7m, with £11.0m recognised as share capital and the remaining £353.7m recognised as share premium. Due to the shares being issued at substantially below market price, a bonus issue is deemed to have taken place. A total of 642.4m shares issued were considered bonus shares. The weighted average shares used to calculate Earnings Per Share (see note 12) has been adjusted accordingly.
3. On 26 June 2020 the Company issued 304.0m ordinary shares through a non-pre-emptive placing and retail offer. The shares were issued at 50p raising gross proceeds of £152.1m, with £2.7m recognised as share capital and the remaining £149.4m recognised as merger reserve. The merger reserve is used where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 2006.
4. On 7 December 2020 the Company issued 250.0m ordinary shares by way of a placing. The shares were issued at 50p raising gross proceeds of £125.0m, with £2.3m recognised as share capital and the remaining £122.7m recognised as share premium.
5. On 7 December 2020 the Company issued 224.7m ordinary shares by way of Tranche 1 Consideration shares. The shares were issued at 63.34p in reflection of the fair value of access to technology assets acquired (see note 14), with £2.0m recognised as share capital and the remaining £140.3m recognised as share premium.
6. On 14 December 2020 the Company issued 3 ordinary shares. The shares were issued at 81.65p raising gross proceeds of £2.45. The shares were issued to facilitate the share consolidation in sub-note 7 below.
7. On 14 December 2020 the Company underwent a capital reorganisation. Each ordinary 0.9p share was split into one ordinary 0.5p share and one deferred 0.4p share. The deferred shares were repurchased by the Company for consideration of £1. The deferred shares were subsequently cancelled by the Company resulting in a movement from share capital into the Capital Redemption Reserve of £9.3m. Each holder of ordinary shares was entitled to 1 new ordinary share of 10p in respect of 20 ordinary 0.5p shares held.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

28 ADDITIONAL CASH FLOW INFORMATION

RECONCILIATION OF MOVEMENTS OF SELECT LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

The tables below reconcile movements of certain liabilities to cash flows arising from financing activities for the years ending 31 December.

Liabilities	Borrowings and inventory arrangements		\$150m	\$190m	£285m	\$400m		\$1,085.5m	\$335m		
	£m	Lease Liability	12.0% SSN £m	6.5% SSN £m	5.75% SSN £m	6.5% SSN £m	£68m DDN £m	10.5% Notes £m	15% 2- Lien Notes £m	TOTAL £m	
<b>At 1 January 2020</b>	<b>162.7</b>	<b>111.4</b>	<b>112.0</b>	<b>137.2</b>	<b>279.0</b>	<b>301.7</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,104.0</b>
<i>Changes from financing cash flows</i>											
Interest paid	(9.1)	(4.1)	(11.4)	(11.1)	(18.8)	(23.3)	(4.5)	–	–	–	(82.3)
Principal lease payment	–	(12.2)	–	–	–	–	–	–	–	–	(12.2)
Repayment of existing borrowings	(175.4)	–	(124.8)	(144.6)	(289.1)	(304.5)	(53.9)	–	–	–	(1,092.3)
Inventory repurchase repayment	(80.0)	–	–	–	–	–	–	–	–	–	(80.0)
Inventory repurchase drawdown	76.8	–	–	–	–	–	–	–	–	–	76.8
New borrowings	173.6	–	–	–	–	–	54.9	812.9	211.3	1,252.7	
Transaction costs paid	(2.7)	–	(1.2)	(0.8)	–	–	(0.7)	(30.7)	(5.8)	(41.9)	
Total changes from financing cash flows	(16.8)	(16.3)	(137.4)	(156.5)	(307.9)	(327.8)	(4.2)	782.2	205.5	20.8	
Effect of changes in exchange rates	–	(0.5)	(0.5)	(0.3)	–	(0.9)	(4.2)	(19.1)	(5.8)	(31.3)	
New leases under IFRS 16	–	2.6	–	–	–	–	–	–	–	–	2.6
Modifications to existing leases	–	1.7	–	–	–	–	–	–	–	–	1.7
Unpaid transaction costs	–	–	–	–	–	–	–	(0.5)	(0.3)	(0.8)	
Interest expense	12.2	4.1	23.4	17.6	25.5	24.0	8.4	11.1	5.2	131.5	
Movement in accrued interest	(0.1)	–	2.5	2.0	3.4	3.0	–	(10.5)	(2.8)	(2.5)	
<b>Balance at 31 December 2020</b>	<b>158.0</b>	<b>103.0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>763.2</b>	<b>201.8</b>	<b>1,226.0</b>	

Liabilities	Borrowings and inventory arrangements		Lease liability	Unsecured Loans	\$150m 12.0% SSN £m	\$190m 6.5% SSN £m	£285m 5.75% SSN £m	\$400m 6.5% SSN £m		
	£m	£m	£m	£m	£m	£m	£m	£m	TOTAL £m	
<b>At 1 January 2019</b>	<b>111.8</b>	<b>116.5</b>		<b>1.4</b>	–	–	276.5	314.4	820.6	
<i>Changes from financing cash flows</i>										
Interest paid	(3.7)	(4.6)		(0.5)	–	(5.3)	(16.4)	(21.5)	(52.0)	
Principal lease payment	–	(10.9)		–	–	–	–	–	(10.9)	
Repayment of existing borrowings	(90.0)	–		(1.5)	–	–	–	–	(91.5)	
Proceeds from existing borrowings	102.3	–		–	–	–	–	–	102.3	
Inventory repurchase arrangement	38.7	–		–	–	–	–	–	38.7	
New borrowings	–	–		–	122.2	138.6	–	–	260.8	
Transaction costs paid	(0.7)	–		(2.8)	(0.6)	–	–	–	(4.1)	
Total changes from financing cash flows	46.6	(15.5)		(2.0)	119.4	132.7	(16.4)	(21.5)	243.3	
Effect of changes in exchange rates	–	(0.5)		0.1	(9.1)	(2.0)	–	(12.6)	(24.1)	
New leases under IFRS 16	–	9.8		–	–	–	–	–	9.8	
Modifications to existing leases	–	(3.5)		–	–	–	–	–	(3.5)	
Unpaid transaction costs	–	–		–	(1.2)	(0.8)	–	–	(2.0)	
Interest expense	4.3	4.6		0.5	2.9	7.3	18.9	21.4	59.9	
<b>Balance at 31 December 2019</b>	<b>162.7</b>	<b>111.4</b>		<b>–</b>	<b>112.0</b>	<b>137.2</b>	<b>279.0</b>	<b>301.7</b>	<b>1,104.0</b>	

**29 SHARE BASED PAYMENTS****LONG-TERM INCENTIVE SCHEMES**

On 14 December 2020 Executive Directors and certain other employees were granted conditional share awards under the Company's Long-Term Incentive Plan ("2020 LTIP"). In respect of this arrangement total charges to the Consolidated Income Statement were £0.2m.

	2020 grant of 2020 LTIP
Aggregate fair value at measurement date (£m)	9.7
Exercise price (p)	Nil
Expected volatility (%)	50.0%
Dividend yield (%)	n/a
Risk free interest rate (%)	(0.13%)

The expected volatility is wholly based on the historical volatility of the Company's share price over a period from listing in 2018 to date.

On 27 June 2019 Executive Directors and certain other employees were granted conditional share awards under the Company's Long-Term Incentive Plan ("2019 LTIP"). On 26 October 2020 this LTIP was cancelled. In respect of this arrangement total charges to the Consolidated Income Statement were £0.2m (2019: £0.1m). The Directors consider this not material and hence further detailed disclosures have been omitted.

**LEGACY EXECUTIVE LONG-TERM INCENTIVE SCHEME**

The fair value of options granted is based on a Monte Carlo Simulation due to the vesting being based on market conditions. Enterprise values have been used as the basis for determining the fair value of the Legacy LTIP awards.

	2018 grant of 2014 Legacy LTIP	2018 grant of 2017 Legacy LTIP	2018 grant of 2018 Legacy LTIP
Aggregate fair value at measurement date (£m)	4.8	25.5	1.2
Exercise price (p)	–	–	–
Expected volatility (%)	30	22	23
Dividend yield (%)	0	0	0
Risk free interest rate (%)	1.70	0.14	0.65

The expected volatility is wholly based on the historical volatility of listed automotive peers over a period commensurate with the terms of each award.

The total expense recognised for LTIP schemes and the Legacy LTIP in the period arising from equity-settled share-based payments is as follows:

	2020 £m	2019 £m
LTIP share option charge	0.4	0.1
Legacy LTIP share option charge (note 6)	3.8	3.6
	<b>4.2</b>	<b>3.7</b>

**30 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

Capital expenditure contracts to the value of £3.1m (2019: £74.4m) have been committed but not provided for as at 31 December 2020.

In the normal course of the Group's business, claims, disputes, and legal proceedings involving customers, dealers, suppliers, employees or others are pending or may be brought against Group entities arising out of current or past operations. The Group believes the impact of these claims and proceedings will be immaterial.

**31 RELATED PARTY TRANSACTIONS**

Transactions between Group undertakings, which are related parties, have been eliminated on consolidation and accordingly are not disclosed. The Group has entered into transactions, in the ordinary course of business, with entities with significant influence over the Group. Transactions entered into, and trading balances outstanding at each year end with entities with significant influence over the Group are as follows:

	Sales to related party £m	Purchases from related party £m	Amounts owed by related party £m	Amounts owed to related party £m
<b>Related party – Group</b>				
<b>Entities with significant influence over the Group</b>	<b>31 December 2020</b>	<b>1.4</b>	<b>2.7</b>	<b>–</b>
Entities with significant influence over the Group	31 December 2019	1.1	4.0	0.2
				0.6

**TRANSACTIONS WITH DIRECTORS**

During the year ended 31 December 2020, an agreement was signed with a former director of the Group for the sale of a vehicle at an expected discount of £0.3m. In addition to this, a former Director of the Group purchased a vehicle at a discount of less than £0.1m in line with the employee purchases policy then in effect.

In the year ended 31 December 2019 no cars were sold to any Directors.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 31 RELATED PARTY TRANSACTIONS (CONTINUED)

#### TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected within 60 days of invoice. Terms and conditions for transactions with subsidiaries are the same, with the exception that balances are placed on intercompany accounts. The Group has not provided or benefited from any guarantees for any related party receivables or payables.

### 32 POST BALANCE SHEET EVENTS

On 24 February 2021, £4.7m of cash not available for short term use (see note 20) was released following conclusion of arbitration.

### 33 GROUP COMPANIES

In accordance with Section 409 of the Companies Act 2006 a full list of entities in which the Group has an interest of greater than or equal to 20%, the registered office and effective percentage of equity owned as at 31 December 2020 are disclosed below.

#### INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Subsidiary undertakings	Holding	Proportion of voting rights and shares held	Nature of Business
Aston Martin Holdings (UK) Limited*	Ordinary	100%	Dormant company
Aston Martin Capital Holdings Limited** ◊	Ordinary	100%	Financing company holding the Senior Secured Notes
Aston Martin Investments Limited**	Ordinary	100%	Holding company
Aston Martin Capital Limited** ◊	Ordinary	100%	Dormant company – financing company that held Senior Secured Notes that were repaid in 2017
Aston Martin Lagonda Group Limited**	Ordinary	100%	Holding company
Aston Martin Lagonda of North America Incorporated** ^	Ordinary	100%	Luxury sports car distributor
Lagonda Properties Limited**	Ordinary	100%	Dormant company
Aston Martin Lagonda Pension Trustees Limited**	Ordinary	100%	Trustee of the Aston Martin Lagonda Limited Pension Scheme
Aston Martin Lagonda Limited**	Ordinary	100%	Manufacture and sale of luxury sports cars, the sale of parts, brand licensing and motorsport activities.
AM Brands Limited** ◊	Ordinary	100%	Non-trading company
Aston Martin Lagonda of Europe GmbH** >	Ordinary	100%	Provision of engineering and sales and marketing services
AML Overseas Services Limited**	Ordinary	100%	Dormant company
Aston Martin Italy S.r.l** <	Ordinary	100%	Dormant company
Aston Martin Lagonda (China) Automobile Distribution Co., Ltd** √	Ordinary	100%	Luxury sports car distributor
AM Nurburgring Racing Limited**	Ordinary	100%	Dormant company
Aston Martin Japan GK** <<	Ordinary	100%	Operator of the sales office in Japan and certain other countries in the Asia Pacific region
Aston Martin Lagonda – Asia Pacific PTE Limited** >>	Ordinary	100%	Operator of the sales office in Singapore and certain other countries in the Asia Pacific region
AMWS Limited** ◊	Ordinary	50%***	Holding company
Aston Martin Works Limited**	Ordinary	50%***	Sale, servicing and restoration of Aston Martin cars

All subsidiaries are incorporated in England and Wales unless otherwise stated.

◊ incorporated in Jersey (tax resident in the United Kingdom)

^ incorporated in the United States of America

> incorporated in Germany

< incorporated in Italy

<< incorporated in Japan

>> incorporated in Singapore

√ incorporated in the People's Republic of China

\* Held directly by Aston Martin Lagonda Global Holdings plc

\*\* Held indirectly by Aston Martin Lagonda Global Holdings plc

\*\*\* The Group exercises management control of these legal entities and therefore the results, assets and liabilities have been wholly included in the Consolidated Financial Statements. The individual results, aggregate assets and aggregate liabilities included within the Consolidated Financial Statements are summarised on page 143.

## 33 GROUP COMPANIES (CONTINUED)

	Aston Martin Works Limited 2020 £m	AMWS Limited 2020 £m	Aston Martin Works Limited 2019 £m	AMWS Limited 2019 £m
Total assets	<b>37.2</b>	—	41.0	—
Total liabilities	(4.9)	—	(12.8)	—
<b>Net assets</b>	<b>32.3</b>	—	28.2	—
Revenue	<b>69.8</b>	—	74.0	—
Profit after tax	<b>17.5</b>	—	17.6	—
Group's share of profit	<b>8.8</b>	—	8.8	—

## REGISTERED ADDRESSES

Aston Martin Holdings (UK) Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Capital Holdings Limited	28 Esplanade, St.Helier, Jersey, JE2 3QA
Aston Martin Investments Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Capital Limited	28 Esplanade, St.Helier, Jersey, JE2 3QA
Aston Martin Lagonda Group Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Lagonda of North America Incorporated	9920 Irvine Center Drive, Irvine, CA 92618, United States of America
Lagonda Properties Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Lagonda Pension Trustees Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Lagonda Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
AM Brands Limited	28 Esplanade, St.Helier, Jersey, JE2 3QA
Aston Martin Lagonda of Europe GmbH	Gottlieb-Daimler-Strasse 30, 53520 Meuspath, Germany
AML Overseas Services Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Italy S.r.l	Corso Magenta 84, Milano, Italy.
Aston Martin Lagonda (China) Automobile Distribution Co., Ltd	Unit 2901, Raffles City Office Tower, No. 268 Xi Zang Middle Road, Huangpu District, Shanghai, China 200001
AM Nurburgring Racing Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Japan GK	1-2-3 Kita-Aoyama, Minato-ku, Tokyo 107-0061, Japan
Aston Martin Lagonda – Asia Pacific PTE Limited	8 Marina View,# 41-05, Asia Square Tower 1, Singapore 018960
AMWS Limited	28 Esplanade, St.Helier, Jersey, JE2 3QA
Aston Martin Works Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB

## 34 ALTERNATIVE PERFORMANCE MEASURES

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures ("APMs"). APMs should be considered in addition to IFRS measurements. The Directors believe that these APMs assist in providing useful information on the underlying performance of the Group, enhance the comparability of information between reporting periods, and are used internally by the Directors to measure the Group's performance.

The key APMs that the Group focuses on are as follows:

- i) Adjusted EBT is the loss before tax and adjusting items as shown in the Consolidated Income Statement.
- ii) Adjusted EBIT is operating (loss)/profit before adjusting items.
- iii) Adjusted EBITDA removes depreciation, loss on sale of fixed assets and amortisation from adjusted EBIT.
- iv) Adjusted operating margin is adjusted operating (loss)/profit divided by revenue.
- v) Adjusted EBITDA margin is adjusted EBITDA (as defined above) divided by revenue.
- vi) Adjusted Earnings Per Share is loss after tax before adjusting items as shown in the Consolidated Income Statement, divided by the weighted average number of ordinary shares in issue during the reporting period.
- vii) Net Debt is current and non-current borrowings in addition to inventory repurchase arrangements and lease liabilities, less cash and cash equivalents and cash held not available for short-term use as shown in the Consolidated Statement of Financial Position.
- viii) Adjusted leverage is represented by the ratio of Net Debt to the last twelve months ('LTM') Adjusted EBITDA.
- ix) Free cashflow is represented by cash (outflow)/inflow from operating activities plus the cash used in investing activities (excluding interest received) plus interest paid in the year less interest received.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

34 ALTERNATIVE PERFORMANCE MEASURES (CONTINUED)

INCOME STATEMENT

	2020 £m	2019 restated* £m
<b>Loss before tax</b>	<b>(466.0)</b>	(119.6)
Adjusting operating expenses (note 6)	98.0	42.1
Adjusting finance income (note 8)	75.5	–
Adjusting finance expense (note 9)	(6.9)	6.6
<b>Adjusted loss before tax (EBT)</b>	<b>(299.4)</b>	(70.9)
Adjusted finance income	(33.1)	(16.3)
Adjusted finance expense	107.6	77.3
<b>Adjusted Operating Profit (EBIT)</b>	<b>(224.9)</b>	(9.9)
<b>Adjusted Operating Margin</b>	<b>(36.8%)</b>	(1.0%)
Reported depreciation	55.7	42.7
Reported amortisation	99.1	85.2
Loss on disposal of fixed assets	–	0.9
<b>Adjusted EBITDA</b>	<b>(70.1)</b>	118.9
<b>Adjusted EBITDA Margin</b>	<b>(11.5%)</b>	12.1%

EARNINGS PER SHARE

	2020 £m	2019 restated* £m
<b>Adjusted earnings per ordinary share</b>		
Loss available for equity holders (£m)	(419.3)	(126.4)
Adjusting items (note 6)		
Adjusting items before tax (£m)	166.6	48.7
Tax on adjusting items (£m)	(32.9)	(8.8)
<b>Adjusted loss (£m)</b>	<b>(285.6)</b>	(86.5)
Basic weighted average number of ordinary shares (million) <sup>1</sup>	77.2	43.5
Adjusted loss per ordinary share (pence)	(369.9p)	(198.8p)
<b>Adjusted diluted earnings per ordinary share</b>		
Adjusted loss (£m)	(285.6)	(86.5)
Diluted weighted average number of ordinary shares (million)	77.2	43.5
Adjusted diluted loss per ordinary share (pence)	(369.9p)	(198.8p)

\* Detail on the restatement of the comparative period is disclosed in note 2 and the impact on Earnings Per Share in note 12. Additional ordinary shares issued as a result of the rights issue conducted in 2020 have been incorporated in the 2019 earnings per share calculation in full without any time apportionment.

1. Average number of ordinary shares has been reduced by a ratio of 20:1 reflecting the share consolidation undertaken in December 2020.

## 34 ALTERNATIVE PERFORMANCE MEASURES (CONTINUED)

## NET DEBT

	2020 £m	2019 £m
<b>Opening cash and cash equivalents</b>	<b>107.9</b>	144.6
Cash (outflow)/inflow from operating activities	(198.6)	19.4
Cash outflow from investing activities	(258.4)	(305.2)
Cash inflow from financing activities	840.2	243.3
Effect of exchange rates on cash and cash equivalents	(1.7)	5.8
<b>Cash and cash equivalents at 31 December</b>	<b>489.4</b>	107.9
Cash held not available for short-term use	9.9	8.7
Borrowings	(1,084.8)	(953.9)
Lease liabilities	(103.0)	(111.4)
Inventory repurchase arrangement	(38.2)	(38.9)
<b>Net Debt</b>	<b>(726.7)</b>	(987.6)
<b>Adjusted EBITDA</b>	<b>(70.1)</b>	118.9
<b>Adjusted leverage</b>	<b>n.m</b>	8.3x

## FREE CASHFLOW

	2020 £m	2019 £m
Net cash (outflow)/inflow from operating activities	(198.6)	19.4
Cash used in investing activities (excluding interest received)	(260.7)	(310.2)
Interest paid less interest received	(80.0)	(47.0)
<b>Free cashflow</b>	<b>(539.3)</b>	(337.8)

# PARENT COMPANY FINANCIAL STATEMENTS

Parent Company Statement of Financial Position as at 31 December 2020

	Note	2020 £m	2019 £m
<b>Non-current assets</b>			
Investments	3	<b>957.4</b>	815.1
Debtors	4	<b>759.7</b>	–
Creditors	5	(330.0)	(256.5)
<b>Net assets</b>		<b>1,387.1</b>	558.6
<b>Capital and reserves</b>			
Share capital	6	<b>11.5</b>	2.1
Share premium		<b>1,108.2</b>	352.3
Capital redemption reserve	6	<b>9.3</b>	–
Capital reserve	6	<b>2.0</b>	2.0
Merger reserve	6	<b>144.0</b>	–
Retained earnings		<b>112.1</b>	202.2
<b>Shareholder equity</b>		<b>1,387.1</b>	558.6

The Financial Statements were approved by the board of directors on 24 February 2021 and were signed on its behalf by

**TOBIAS MOERS**  
CHIEF EXECUTIVE OFFICER

Company Number: 11488166

The loss on ordinary activities after taxation amounts to £90.1m (2019: profit of £1.4m).

**KENNETH GREGOR**  
CHIEF FINANCIAL OFFICER

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Company	Share Capital £m	Share Premium £m	Redemption Reserve £m	Capital Reserve £m	Merger Reserve £m	Retained Earnings £m	Total Equity £m
	2.1	352.3	–	2.0	–	202.2	558.6
<b>At 1 January 2020</b>							
<b>Total comprehensive income for the year</b>							
Loss for the year	–	–	–	–	–	(90.1)	(90.1)
<b>Total comprehensive income for the year</b>	–	–	–	–	–	(90.1)	(90.1)
<b>Transactions with owners recorded directly in equity</b>							
Issuance of ordinary shares (note 5)	18.7	755.9	–	–	144.0	–	918.6
Capital reduction	(9.3)	–	9.3	–	–	–	–
<b>Total transactions with owners</b>	<b>9.4</b>	<b>755.9</b>	<b>9.3</b>	<b>–</b>	<b>144.0</b>	<b>–</b>	<b>918.6</b>
<b>At 31 December 2020</b>	<b>11.5</b>	<b>1,108.2</b>	<b>9.3</b>	<b>2.0</b>	<b>144.0</b>	<b>112.1</b>	<b>1,387.1</b>
Company	Share Capital £m	Share Premium £m	Redemption Reserve £m	Capital Reserve £m	Merger Reserve £m	Retained Earnings £m	Total Equity £m
	2.1	352.3	–	2.0	–	200.8	557.2
<b>Total comprehensive income for the year</b>							
Profit for the year	–	–	–	–	–	1.4	1.4
<b>Total comprehensive income for the year</b>	–	–	–	–	–	1.4	1.4
<b>At 31 December 2019</b>	<b>2.1</b>	<b>352.3</b>	<b>–</b>	<b>2.0</b>	<b>–</b>	<b>202.2</b>	<b>558.6</b>

### 1 ACCOUNTING POLICIES

Authorisation of Financial Statements and statement of compliance with FRS 101.

The Parent Company Financial Statements of Aston Martin Lagonda Global Holdings plc (the Company) for the year were authorised for issue by the Board of Directors on 24 February 2021 and the Statement of Financial Position was signed on the Board's behalf by Tobias Moers. The Company is a public limited company incorporated and domiciled in the UK. The Company's ordinary shares are traded on the London Stock Exchange and it is not under the control of any single shareholder.

An overview of the business activities of Aston Martin Lagonda Global Holdings plc, including a review of the key business risks that the Group faces, is given in the Strategic Report on pages 1 to 39. The debt facilities available to the Group and the maturity profile of this debt is shown in note 23 of the Group Financial Statements.

The Group meets its day-to-day working capital requirements and medium term funding requirements through a mixture of \$1,085.5m of 1st Lien notes at 10.5% which mature in November 2025, \$335m of 2nd Lien split coupon notes at 15% per annum (8.89 % cash and 6.11% PIK) which mature in November 2026, a revolving credit facility (£90.6m) which matures August 2025, facilities to finance inventory, a number of back-to-back loans and a wholesale vehicle financing facility (as described in note 18 of the Financial Statements). Under the revolving credit facility the Group is required to comply with liquidity and leverage covenants.

The amounts outstanding on all the borrowings are shown in note 23 to the Group Financial Statements.

The Directors have developed trading and cash flow forecasts for the period from the date of approval of these Financial Statements through 30 June 2022 (the going concern review period). These forecasts show that the Group has sufficient financial resources to meet its obligations as they fall due and to comply with covenants for the going concern review period.

The forecasts reflect our strategy of rebalancing supply and demand and the decisive actions taken to improve cost efficiency, in alignment with reduced sports car production levels. The forecasts make assumptions in respect of future market conditions and, in particular, wholesale volumes, average selling price, the launch of new models including Valkyrie and the potential impact of COVID-19 on sales. The nature of the Group's business is such that there can be variation in the timing of cash flows around the development and launch of new models. In addition, the availability of funds provided through the vehicle wholesale finance facility changes as the availability of credit insurance and sales volumes vary, in total and seasonally. The forecasts take into account these factors to the extent which the directors consider them to represent their best estimate of the future based on the information that is available to them at the time of approval of these Financial Statements.

The directors have considered a severe but plausible downside scenario that includes considering the impact of a 30% reduction in DBX volumes, a further 4 week period of factory closure due to COVID-19 restrictions and, operating costs higher than the base plan.

The Group plans to make continued investment for growth in the period and, accordingly, funds generated through operations are expected to be reinvested in the business mainly through new model development and other capital expenditure. To a certain extent such expenditure is discretionary and, in the event of risks occurring which could have a particularly severe effect on the Group, as identified in the severe but plausible downside scenario, actions such as constraining capital spending, working capital improvements, reduction in marketing expenditure and the continuation of strict and immediate expense control would be taken to safeguard the Group's financial position.

Accordingly, after considering the forecasts, appropriate sensitivities, current trading and available facilities, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and to comply with its financial covenants therefore the Directors continue to adopt the going concern basis in preparing the Financial Statements.

The Parent Company Financial Statements are presented in sterling. These Financial Statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). No Income Statement is presented for the Company as permitted by Section 408 of the Companies Act 2006. There were no gains or losses in the year (2019: £nil) in Other Comprehensive Income. The fee relating to the audit of these Financial Statements of £0.2m was borne by the Company (2019: £0.2m).

#### BASIS OF PREPARATION

The Parent Company Financial Statements have been prepared in accordance with FRS 101, as applied in accordance with the provisions of the Companies Act 2006. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual Financial Statements of qualifying entities that otherwise apply this recognition, measurement and disclosure requirements of IFRS as adopted by the EU.

FRS 101 sets out amendments to IFRS as adopted by the EU that are necessary to achieve compliance with the Companies Act and related Regulations. The following disclosures have not been included as permitted by FRS 101.

- A Cash Flow Statement and related notes as required by IAS 7 'Statement of Cash Flows';
- Disclosures in respect of transactions with wholly owned subsidiaries as required by IAS 24 'Related Party Disclosures';
- Disclosures in respect of capital management as required by paragraphs 134 to 136 of IAS 1 'Presentation of Financial Statements';
- The effects of new but not yet effective IFRSs as required by paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'; and
- Disclosures in respect of the compensation of key management personnel as required by paragraph 17 of IAS 24 'Related Party Disclosures'.

As the Financial Statements of the Group include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment' in respect of group-settled share based payments; and
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

The accounting policies set out herein have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

#### INVESTMENTS

The Company recognises investments in subsidiaries at cost less impairment in its individual Financial Statements.

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

## 1 ACCOUNTING POLICIES (CONTINUED)

### INVESTMENTS (CONTINUED)

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately.

At 31 December 2020, the net assets of the Company (£1,387.1m) were considerably higher than those of the Group (£804.6m). It was concluded that the value of investments and receivables at the balance sheet date are recoverable owing to the Group's market capitalisation of £2.3bn.

### AMOUNTS DUE TO GROUP UNDERTAKINGS

Amounts due to Group undertakings are initially recognised at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

### AMOUNTS DUE FROM GROUP UNDERTAKINGS

Amounts due to Group undertakings are initially recognised at fair value and subsequently measured at amortised cost on an effective interest basis. The Company recognises an allowance for expected credit loss (ECLs) for all receivables held at amortised cost. ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL) and are remeasured to reflect changes in 12-month ECL, unless a significant deterioration in credit risk is considered to have occurred in which case ECLs are reassessed on a lifetime basis. A provision of £38.3m has been recognised in the current period.

### FINANCIAL ASSETS AND LIABILITIES

Financial assets are cash or a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or liabilities with another entity under conditions that are potentially favourable to the entity. In addition, contracts that result in another entity delivering a variable number of its own equity instruments are financial assets.

Derivative financial instruments including equity options are held at fair value. All other financial instruments are held at amortised cost.

## 2 DIRECTORS' REMUNERATION

The Company has no employees other than the directors.

Full details of the directors' remuneration is given in the Directors' Remuneration Report.

## 3 INVESTMENTS

	£m
Cost and net book value	
At 1 January 2019 and 31 December 2019	815.1
Additions in the year	142.3
<b>At 31 December 2020</b>	<b>957.4</b>

The Company directly owns 100% of the share capital of Aston Martin Holdings (UK) Limited, a non-trading intermediate holding company registered in England and Wales. A full list of subsidiary and other related undertakings is given in note 33 of the Group Financial Statements. Additions in the year represents a capital

contribution of £142.3m to Aston Martin Lagonda Limited in respect of the issuance of ordinary shares from the Company as part of the MBAG Strategic Cooperation Agreement. See notes 13 and 27 in the Group Financial Statements for further details.

## 4 DEBTORS

	2020 £m	2019 £m
Amounts due from Group undertakings	759.7	–

## 5 CREDITORS

	2020 £m	2019 £m
Amounts due to Group undertakings	248.6	256.5
Accrued expenses	1.5	–
Derivative option over own shares	79.9	–
	<b>330.0</b>	<b>256.5</b>

### SHARE WARRANTS

As part of the issue of the second lien SSNs by Aston Martin Capital Holdings Limited, the Company issued share warrants enabling warrant holders to subscribe for a number of Ordinary Shares in the Company at the Subscription price of £10 per share. The warrants can be exercised from 1 July 2021 through to 7 December 2027. The fair value of the warrants was determined using a Binomial model used to predict the behaviour of the warrant holders and when they might exercise their holdings. This resulted in a valuation of £33.6m upon initial recognition. The movement between initial pricing in October 2020 and the 31 December 2020 of £45.3m has been expensed to the Income Statement in the year.

## 6 CAPITAL AND RESERVES

	2020 £m	2019 £m
Allotted, called up and fully paid		
114,933,587 shares of 10.0p each (2019: 228,002,890 ordinary shares of 0.00904p each)	11.5	2.1

The Company undertook a rights issue and 3 placings of ordinary equity shares during the year (see note 27 in the Group Financial Statements). On 14 December 2020 the Company underwent a capital reorganisation. Each ordinary 0.9p share was split into one ordinary 0.5p share and one deferred 0.4p share. The deferred shares were repurchased by the Company for consideration of £1. The deferred shares were subsequently cancelled by the Company resulting in a movement from share capital into the Capital Redemption Reserve of £9.3m. Each holder of ordinary shares was entitled to 1 new ordinary share of 10p in respect of 20 ordinary 0.5p shares held. A capital redemption reserve of £9.3m was recognised when the shares were repurchased.

### MERGER RESERVE

On 26 June 2020 the Company issued 304.0m ordinary shares through a non-pre-emptive placing and retail offer. The shares were issued at 50p raising gross proceeds of £152.1m, with £2.7m recognised as share capital and the remaining £149.4m recognised as merger reserve. The merger reserve is used where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 2006. The merger reserve value was reduced by £5.4m of transaction costs associated with the equity raise.

### CAPITAL RESERVE

The capital reserve of £2.0m arose from the share-for-share exchange on the acquisition of the entire share capital of Aston Martin Holdings (UK) Limited in 2018.

# SHAREHOLDER INFORMATION

## GENERAL SHAREHOLDER ENQUIRIES

Enquiries relating to shareholdings, such as the transfer of shares, change of name or address, lost share certificates or dividend cheques, should be referred to the Company's registrar:

Equiniti, Aspect House, Spencer Road, Lancing,  
West Sussex, BN99 6DA, United Kingdom.  
Tel: 0333 207 5973.

Lines are open 08.30am to 5.30pm, Monday to Friday excluding public holidays in England & Wales. Please dial +44 121 415 0920 if calling from outside the UK or online at [help.shareview.co.uk](http://help.shareview.co.uk) for additional information.

Equiniti offers a range of shareholder information and services online at [www.shareview.co.uk](http://www.shareview.co.uk).

## SHARE CONSOLIDATION

On 14 December 2020, the Company undertook a capital reorganisation comprising a subdivision, re-designation and consolidation of its ordinary issued shares (the "Capital Reorganisation"). Each ordinary share of £0.009039687 was subdivided and re-designated into one interim share of £0.005 and one deferred share of £0.004039687. Immediately thereafter, the interim shares were consolidated at the ratio of 20:1 into consolidated shares of £0.10 each (the "Share Consolidation"). The deferred shares were repurchased by the Company and cancelled on 15 December 2020. Further information on the Capital Reorganisation is set out in the Combined Prospectus and Circular dated 18 November 2020.

## SHARE WARRANTS

The Company has issued warrants granting rights to subscribe for ordinary shares in accordance with the terms of the warrant instrument dated 7 December 2020.

Warrants are exercisable during the period starting on 1 July 2021 and ending on 7 December 2027.

Further information on the warrants is set out in the Combined Prospectus and Circular dated 18 November 2020.

## ANNUAL GENERAL MEETING

Information on the Annual General Meeting, together with the Notice of Meeting containing details of the business to be conducted, will be posted on our website [www.astonmartinlagonda.com](http://www.astonmartinlagonda.com).

The voting results for the 2021 Annual General Meeting will also be accessible on [www.astonmartinlagonda.com](http://www.astonmartinlagonda.com) shortly after the meeting.

## ELECTRONIC COMMUNICATION

Shareholders may at any time choose to receive all shareholder documentation in electronic form via the internet, rather than in paper format. Shareholders who decide to register for this option will receive an email each time a shareholder document is published on the internet. Shareholders who wish to receive documentation in electronic form should register online at [www.shareview.co.uk](http://www.shareview.co.uk).

## SHARE DEALING

Aston Martin Lagonda Global Holdings plc shares can be traded through most banks, building societies or stock brokers. Equiniti offers a telephone and internet dealing service. Terms and conditions and details of the commission charges are available on request.

For telephone dealing, please telephone 03456 037 037 between 8.00am and 4.30pm, Monday to Friday, and for internet dealing visit [www.shareview.co.uk/dealing](http://www.shareview.co.uk/dealing).

Shareholders will need their reference number which can be found on their share certificate.

## SHAREGIFT

Shareholders with a small number of shares, the value of which makes them uneconomic to sell, may wish to consider donating their shares to charity through ShareGift, a donation scheme operated by The Orr Mackintosh Foundation. A ShareGift donation form can be obtained from Equiniti. Further information is available at [www.sharegift.org](http://www.sharegift.org) or by telephone on 0207 930 3737.

## SHARE PRICE INFORMATION

The latest Aston Martin Lagonda Global Holdings plc share price is available on the Company's website at [www.astonmartinlagonda.com](http://www.astonmartinlagonda.com).

## UNAUTHORISED BROKERS (BOILER ROOM SCAMS)

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, or offers of free company reports. These are typically from overseas-based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as boiler rooms.

If you receive any unsolicited investment advice, get the correct name of the person and organisation, and check that they are properly authorised by the FCA before proceeding any further. This can be done by visiting [www.fca.org.uk/register/](http://www.fca.org.uk/register/).

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme if things go wrong. If you think you have been approached by an unauthorised firm, you should contact the FCA consumer helpline on 0800 111 6768.

More detailed information can be found on the FCA website at [www.fca.org.uk/consumers/protect-yourself/unauthorised-firms](http://www.fca.org.uk/consumers/protect-yourself/unauthorised-firms).

## REGISTERED OFFICE

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Gaydon Warwick CV35 0DB United Kingdom

Registered in England and Wales Registered Number:  
11488166

[www.astonmartinlagonda.com](http://www.astonmartinlagonda.com)

## WEBSITE

This Annual Report and other information about Aston Martin Lagonda Global Holdings plc, including share price information and details of results announcements, are available at [www.astonmartinlagonda.com](http://www.astonmartinlagonda.com).



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#### DISCLAIMER

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By Appointment to  
His Royal Highness the Prince of Wales  
Motor Car Manufacturer and Repairer